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FINANCIAL TIMES

Europe's Business Newspaper — MONDAY OCTOBER 3 1994 — D8523A

Chrysler plans to reduce number of parts suppliers

Chrysler plans to cut the number of main vehicle component suppliers it uses from 1,200 at present to only about 150. The US carmaker is also expected to approve a rise in spending to some $22.5bn for 1995-99 compared with $20bn planned for 1994-98. Page 20

Steel plan faces collapse: The European Commission's plan to cut steel output faces certain failure, German steelmakers say, because Europe's current recovery will make it impossible to reach agreement. Page 2

Dresdner Bank and Banque Nationale de Paris plan to make joint acquisitions in Europe, further strengthening the partnership they set up last year. They also plan to merge Spanish operations early next year. Page 21

Anti-Yeltsin protesters fly the red flag

About 7,000 communist sympathisers paraded with red flags in Moscow, chanting "Boris Yeltsin is a murderer". They were commemorating those killed a year ago when the Russian president's tanks crushed an attack on the White House. Led by mourners carrying photographs of slain relatives, the protesters included a motley collection of communists, neo-fascists, priests and army officers.

Woolworth chief quits: Woolworth chief executive William Lavin has quit the US retailer over differences with the board. His departure comes less than five months after he was stripped of the chairmanship. Page 21

London Stock Exchange is considering amending its rules on short selling – selling securities one does not already own in the hope of buying them back more cheaply – to limit market manipulation. Page 21

French yard wins order: French shipyard Chantiers de l'Atlantique, owned by Anglo-French group GEC Alsthom, landed a provisional order for two luxury liners from Royal Caribbean Cruises of Miami in a deal which could be worth $600m.

Police fire on demonstrators. Indian police killed four people and wounded at least 10 when they fired on Uttar Pradesh separatists. The protesters were at Muzaffarnagar, heading for a rally in New Delhi about 60 miles away.

Pakistan bomb blast kills six: Six people were killed and 20 wounded when a bomb exploded in a bus about 94 miles from Islamabad.

Vietnam exchange: Communist Vietnam's first stock exchange is expected to be operational by early 1995, the country's official news agency said. It will begin with small-scale trading in bonds issued by government, local authorities, commercial banks and state companies.

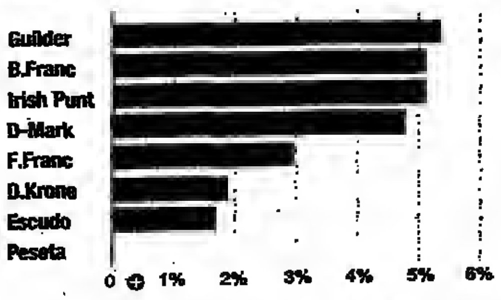
Inching towards equal pay: British women earn only 79 per cent as much as men, the Equal Opportunities Commission says. The figure has risen eight percentage points since equal pay laws were passed in 1975.

Meciar victorious: Vladimir Meciar, twice Slovakia's prime minister, won a commanding victory in weekend elections, opening the prospect of an alliance between socialists and extreme nationalists in the next government. Page 20

Academia overseas: Work has started in Thailand on the first British university to be built outside the UK. Funded by Thai financiers, it will be staffed by British academics and will award degrees validated by UK universities. Page 7

European Monetary System: Rankings on the EMS grid scarcely changed last week and there was little movement on the European crosses in spite of turmoil on world financial markets. With the German elections looming, the D-Mark weakened, bringing it down below the Irish punt. The Dutch guilder slipped back slightly and French franc strengthened fractionally. Currencies, Page 37

EMS: Grid — September 30, 1994



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies can fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a narrow 2.25 per cent band.

Serbs block convoys: Bosnian Serbs reneged on a pledge to unblock seven UN relief convoys.

Den of thieves: Congo police traced a crime wave in Brazzaville to a gang already in prison. A corrupt guard let gang members slip out of jail, commit armed robberies and return to their cells.

Racing: Carnegie, owned by Dubai's Sheikh Mohammed, won the Prix de l'Arc de Triomphe in Paris.

US and Japan both claim victory in trade dispute

By Michiyo Nakamoto in Tokyo, Nancy Dunne in Washington and Richard Waters in New York

The US and Japan both claimed victory yesterday after reaching a partial settlement of their long-running trade dispute. The deal averts the immediate threat of a trade war between the world's two largest economies.

The agreement on opening Japan's markets to US goods and services is also expected to influence currency markets, which had strengthened the yen on fears that the two countries would be unable to resolve the conflict. The last-minute negotiations resulted in agreement on opening the Japanese glass, insurance and government procuremeot markets – the first results of 14 months of tough talks under the framework pact.

However, the two sides were unable to reach a deal to lower barriers in Japan's vehicle and auto parts market. Foreign prodncers capture just 2.6 per cent of total sales in Japan, compared with 47 per cent in the US. Japanese vehicle and auto parts exports account for 60 per cent of the US's $60bn annual trade deficit with Japan.

The US will start an investigation into Japan's replacement car parts market under Section 301 of US trade law, which could lead to sanctions against Japan in 12 to 18 months. The inquiry is being carried out under Section 301 rather than the more aggressive Super 301, under which Japan might be labelled an unfair trader.

Mr Mickey Kantor, the US trade representative, said Japan's car market remained discriminatory but noted that Japan's willingness to reach deals in other areas had been a factor in withholding a Super 301 designation.

In spite of the US move, Mr Ryutaro Hashimoto, Japan's trade minister, said Tokyo was open to further discussion with the US on this issue.

However, the two sides were likely to benefit from a cooling-off period before resuming discussions, he said. "In the area of auto and auto parts it is very regrettable that despite vigorous efforts in sincere discussions since July last year, the US government has decided to initiate a Section 301 investigation of the auto replacement parts."

The apparent success of the latest round of negotiations will provide the Japanese government of prime minister Murayama with a welcome respite from one potentially explosive issue.

Meanwhile, with the immediate danger of sanctions behind them, officials were able to congratulate themselves on having averted another sharp jump in the yen's value, which could have undermined the country's anaemic recovery.

US companies in industries where the two sides agreed on market-

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Details, Page 4
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IMF split over plan to boost world reserves

Fund chief at odds with G7 nations over SDR issue

From Peter Norman, Economics Editor, in Madrid

Industrial countries' plans to boost the world's monetary reserves by $23.5bn hung in the balance yesterday after developing country members of the International Monetary Fund denounced them as insufficient.

Differences over proposals for a selective issue of the IMF's own reserve asset – known as the special drawing right – plunged the IMF's policymaking Interim Committee into what one official described as a *"flaming row"* yesterday.

At issue was a UK-US plan, adopted by the Group of Seven leading industrial nations, to allocate SDR16bn ($23.5bn) to IMF members through a complex formula intended to favour poor developing nations and former communist countries such as Russia.

Mr Philippe Maystadt, the Belgian finance minister and Interim Committee chairman, was last night trying to arrange a compromise, although it was unclear if he could succeed.

Some officials said the IMF itself could be thrown into crisis by the seemingly arcane dispute because Mr Michel Camdessus, the IMF managing director, had opposed the wishes of the industrial countries, which have a clear majority of votes on the fund's board.

The officials said Mr Camdessus had alienated Mr Lloyd Bentsen, the US treasury secretary and representative of the fund's biggest shareholder, through his constant campaigning for a larger general SDR increase for all members of the IMF. Mr Camdessus's views had the backing of the Fund's developing country members.

He has argued for a general issue of SDR36bn to all Fund members which has been vigorously opposed by Germany, the US and Britain.

They maintain that there is no global need for new liquidity of this kind.

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Yesterday's meetings began hopefully enough. The discussions in the Interim Committee followed the unanimous agreement of the G7 on Saturday, although it later emerged that France had accepted the UK-US plan only grudgingly.

The SDR issue – the first such injection of liquidity into the world's monetary system since 1981 – was specially structured to benefit 37 countries, including Russia, that had joined the fund in recent years and had no SDRs in their reserves. It was also

Continued on Page 20

Businessmen's wives help sweep a street in Bombay as part of a cleanliness drive to prevent the spread of plague News Digest, Page 3 Reuter

Object detected near Estonia wreck

By Christopher Brown-Humes in Stockholm

Finnish investigators said last night they had detected a large object lying close to the sunken Baltic ferry Estonia, heightening speculation that the vessel capsized because of the loss of an outer bow door.

Mr Jouko Nourteva, a Finnish marine geologist, said the object was lying 10 to 20 metres from the bow, but it was not clear if it was part of the roll-on roll-off ship.

Swedish *officials have said the* Estonia's outer bow door may have been ripped off in heavy seas last Wednesday, causing water to surge into the car deck and capsize the ferry within minutes. Only about 140 of the vessel's 1,050 passengers survived.

The Estonia, operated by the Swedish-Estonian company Estline, was sailing from the Estonian capital, Tallinn, to Stockholm when she sank in *stormy seas. Mr Nourteva,* who located the wreck on Friday using sophisticated sonar equipment, said: "The observation of a *large object is certain because* it was seen on all four sonar pictures that were taken."

As memorial services were held at churches throughout Sweden, Finland and Estonia yesterday, a Finnish search vessel carrying robot-mounted cameras yesterday filmed the Estonia wreck to try to assess why the vessel sank and the difficulty of recovering the 800 bodies believed to be inside.

Investigators said the pictures from the search vessel were of "very good quality", but added they would oot be commenting on them until they had analysed *them more closely. The* ferry is lying in around 80m of water, 40k off the Finnish island of Utö.

Sweden, Denmark, Finland and Norway have all ordered urgent safety checks on roll-on roll-off ferries sailing in their waters amid reports of problems with the bow doors of other ships.

Sweden's Stena Line, the world's leading ferry operator, has withdrawn one of its Irish Sea ferries from service because of problems with the bow-door locking mechanism. It said one of the locking pins of the 14-year-old Stena Felicity had sheared off, although there had been no *water penetration. Officers* on the Felicity unloaded cars and lorries through the stern doors of the 23,000-ton vessel. Stena said the problem was caused by an electrical fault.

A fault was discovered on the vessel last month after the port-side outer door was found to be jammed shut, which used to operate in the Baltic Sea.

Ferry evacuation rules questioned, Page 2

BSkyB faces early decision on flotation in US and Britain

By Raymond Snoddy in London

British Sky Broadcasting will have to decide this week if it is to go ahead with a flotation before Christmas on the London and New York stock exchanges.

Shareholders of the satellite television venture have been in *talks for the past month trying* to hammer out an agreement on a flotation that would value the company at more than £4bn.

Immediate agreement would allow a share issue to go ahead between now and Christmas – the season when most new satellite dishes and subscriptions are sold.

If this opportunity is missed conditions for a flotation might not be as favourable again until the autumn of next year.

Unanimous agreement is almost certainly needed between the main shareholders – Mr Rupert Murdoch's News Corporation; Chargeurs, the French transport and media group; Pearson, the media group that owns the Financial Times; and Granada, the UK media, leisure and computer services company.

A flotation would be difficult to organise without the agreement of all the main shareholders because all four have pre-emption rights to buy if any of the *others* want to sell.

In addition, there are complex tax issues involved in replacing debt with equity. Mr Murdoch, advised by Goldman Sachs, is keen to float, primarily in order to reduce debt and release capital to invest in his Asian satellite venture, Star TV. There may also be a political dimension. In the UK, a future Labour government could present News Corp with the choice of selling its national *newspapers or reducing* its 50 per cent stake in BSkyB. The latest date for the next general election in Britain is 1997.

Granada has frequently said it would sell its 13.5 per cent stake under the right conditions.

Pearson, advised by Lazard Brothers, has suggested it might be interested in increasing its stake in BSkyB, which lifted its operating profits in the year to June from £54.1m to £176.8m. However, it is also not thought to be averse to a flotation.

The main obstacle to a flotation *appears* to be Chargeurs, which does not have a pressing need for funds and believes the value of the satellite company will rise. It may decide to hold on to its stake.

One possibility under consideration is to sell shares directly to the public, including BSkyB subscribers, as well as institutions.

At the end of June, BSkyB had 3.45m subscribers, 74 per cent receiving the television channels on dishes with most of the rest attached to cable networks. At the weekend BSkyB added five new services to its Sky Multi-Channels package and increased all subscription charges by £3 a month.

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lw60.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira90	S. Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr18
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Estonia	EKr 20	Jordan	JD1.50	Philippines	Peso50	Syria	S£50.00
Finland	FM14	Kuwait	Fils625	Poland	Zl 38,000	Tunisia	Din1.500
France	FFr9.50	Lebanon	US$1.50	Portugal (m'land)	Es225	Turkey	L30000
Germany	DM3.60	Lux	LFr65			UAE	Dh12.00

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Brussels steel plan expected to collapse

By Michael Lindemann in Bonn, Emma Tucker in Brussels and Andrew Baxter in London

The European Commission's plan to cut steel output is as good as dead, according to German steelmakers who say it will be impossible to reach agreement now that economic recovery is picking up across Europe.

German steel companies have indicated they are prepared to let the plan collapse and wait for the next recession before trying once more to agree on capacity cuts.

They are also happy to forego the aid package promised by the European Commission if the capacity cuts are agreed in full. This includes finance for redundancies, protection from cheaper eastern European imports and a quarterly system for monitoring steel output.

Any threat to the capacity cuts plan would be a big setback for Brussels, which has spent nearly two years cajoling steelmakers across Europe to cut capacity as Europe dragged itself through its worst post-war recession.

The latest development, however, vindicates the fears of some steel industry observers and private sector producers that a short-term rise in demand might be used as an excuse to postpone cuts designed to correct chronic overcapacity.

Last week at an EU ministerial meeting Mr Günther Rexrodt, German economics minister, strongly criticised the steel industry for asking the commission to devise a rescue plan when times were hard, but abandoning it as soon as prices picked up.

"It is not good practice for the industry to enjoy support when things are bad and then to not reduce capacity when things get better," he said.

'The plan is as good as dead – you can forget about further capacity cuts. We need more capacity'

He spoke shortly after Mr Martin Bangemann, industry commissioner, announced that unless the EU's steel sector had produced the minimum level of cuts in capacity by November 8, the commission would withdraw its support.

So far industry has only achieved 11m tonnes of capacity cuts and is unlikely to meet the 19m minimum required under the plan by the beginning of November.

"The same thing happened in 1985 for the first big steel crisis," said a senior commission official. "Reductions in capacity then were below what was necessary, and this led to the second steel crisis in 1991."

But in Germany, one industry source said: "The plan is as good as dead – you can forget about further capacity cuts. Take hot-rolling capacity – we're working flat out. We need more capacity."

The German Steel Federation said last week that output this year was expected to be 10 per cent higher than last year and that prices were beginning to improve. It said the German steel industry had shed 140,000 jobs over the last five years, costing producers about DM4bn (£1.6bn), and that it had made all the capacity cuts which could be expected, including last year's closure by Krupp Hoesch of its Rheinhausen plant. Instead the Germans have pointed the finger at subsidised state-owned Italian and Spanish steelmakers for not doing their part.

German steelmakers may also argue that capacity cuts make little sense given that the future of Eko Stahl, the ailing steel plant in eastern Germany, is still uncertain.

Cockerill Sambre, the Belgian steel group, and the Bremen-based Hegemann group are leading the race for a stake in Eko Stahl and both hava indicated they would invest in a hot-rolling mill which would probably produce about 2m tonnes annually.

Last month British Steel said European demand for strip mill products had risen significantly over recent months, and was expected to continue to strengthen. But there was also a shortage of steel, due partly to temporary closures of some European blast furnaces for relining.

Ferry evacuation rules questioned

The Estonia disaster may lead to a review of emergency procedures, writes **Hugh Carnegy**

The catastrophic failure of lifeboats and life rafts to save passengers in last week's Baltic ferry disaster is set to bring demands for a review of emergency procedures on passenger vessels as well as the review promised by the International Maritime Organisation of the design of roll-on, roll-off ships.

One of the most distressing sights from the rescue operation of the Estonia, which capsized and sank with the loss of more than 900 lives, was of dozens of life rafts discovered either empty, or in many cases swamped by icy water and containing the bodies of people who drowned or died of exposure despite managing to clamber aboard the rubber boats. Only a handful of the Estonia's large lifeboats were even launched.

"I can agree that the equipment was not doing its job since so many died, but it is up to the rule makers and designers to look into this," Mr Sten Forsberg, technical director of Nordström and Thulin, the Swedish co-operator of the Estonia, said at the weekend. "I am quite sure that the aftermath of this tremendous tragedy will result in stricter regulations for life-saving equipment."

The Swedish flag is draped in black for yesterday's day of mourning for the ferry disaster Reuter

The chilling evidence from the Estonia suggests that in a case where a ship lists suddenly and heavily, the ordered evacuation of passengers in lifeboats and life rafts can quickly become virtually impossible – especially in storm conditions and with panic surging through a stricken ship. A spokeswoman for the Viking Line, a Finnish-based operator in the Baltic which used to run the Estonia, said in the best conditions preparing and launching lifeboats takes 15 to 20 minutes. "But in conditions like those faced by the Estonia, the system can quickly break down," she said.

Ship operators say lifeboats cannot be launched if a ship is listing more than 15 degrees. But in heavy seas, a lesser list may make launching impossible. As both lifeboats and many life rafts are designed to be loaded with passengers before being lowered into the water, this means that even in conditions much less severe than those faced by the Estonia, evacuating passengers by lifeboat fails.

The Estonia carried rubber life rafts packed in plastic containers. The rafts were designed to pop up to the surface and self-inflate once submerged below a depth of four metres – which they did. But most clearly were easily swamped by the high seas, as water washed in through the door in their weatherproof covers. One survivor said the raft he clambered on to was upside down.

The Swedish newspaper, Dagens industri, on Saturday quoted Mr Jens Peter Bie, an executive at the Danish company Viking Life-Saving Equipment, which supplied life rafts to the Estonia, as saying the rafts on the ship were 14 years old. He said newer, self-inflating and self-righting rafts were available, but ship owners were deterred from buying them by costs 30-40 per cent greater than standard rafts.

Mr Harri Kulovara, operations chief for the Finnish-run Silja Line, said: "I believe the rubber life rafts can be more effective than the traditional lifeboats – they are much easier to launch and use. But they must be launched properly."

Questions have also been raised since the Estonia disaster about the way ferry operators brief passengers on emergency procedures. The requirement under IMO regulations falls well short of the obligatory safety demonstrations made on airlines.

No lifeboat drill is required on the 12-14 hour overnight sailings that are the common duration on Baltic routes and none are offered by the operators.

Swedish and Finnish operators say their crews are regularly drilled to cope with emergencies. They make public announcements to stress to passengers the importance of reading the emergency procedure notices and run videos on passenger TV services.

However, as the Estonia catastrophe showed, even the best prepared crews and passengers can be quickly overcome when a ship begins to list and sink.

German seeks new EU cartel authority

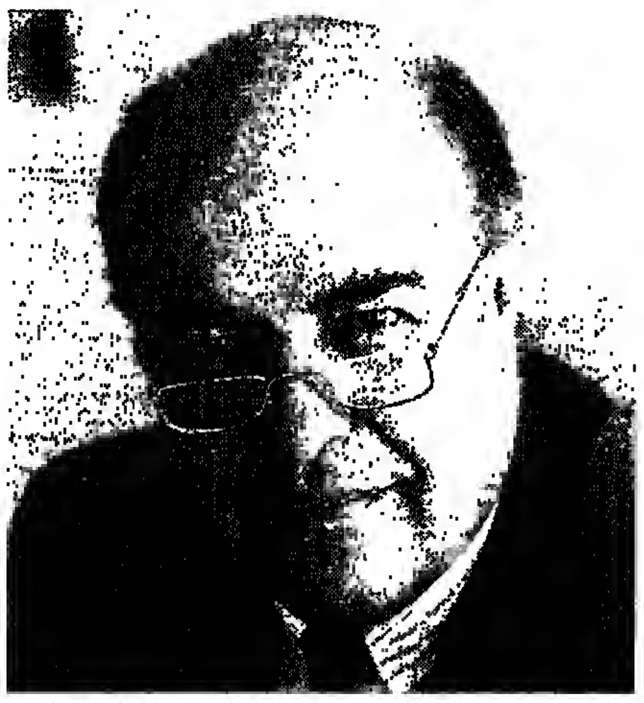
By Judy Dempsey in Berlin

European anti-trust decisions should be made by an independent authority instead of the European Commission in order to reduce political interference, the head of the German cartel office has told the Financial Times.

Mr Dieter Wolf said he hopes Germany will place such a proposal on the agenda of the Intergovernmental Meeting scheduled for 1996.

Mr Wolf, a staunch advocate of reducing political influence in mergers and anti-trust decisions, said the current decision-making structures in Brussels were not transparent enough and were often susceptible to "political lobbies".

"I am not blaming the Commissioners for this. But it is a consequence of the structure of decision-making. Every commissioner has different tasks to fulfil. But he is also a politician. His understanding of the task is also a political one," said Mr Wolf.



Wolf: campaigning against political interference

What concerns the cartel office, which has often been criticised for not taking a more robust attitude towards mergers within Germany, especially in the retailing and media sectors, is that there are too many interest groups in Brussels lobbying behind the scenes on anti-trust decisions. "It is sometimes unclear why some merger decisions are made," he said, adding that "Brussels wants to keep the monopoly of granting exemptions from [individual] cartel prohibitions".

"Merger decisions contain sharp interventions from the state into the market. Take the case of capital allocation," he said. "If there is a proposal for a merger between a French and a German company it is clear [the decision] has direct repercussions on where the investments will take place. It involves getting influence on the flow of capital. Maybe this is very attractive and seductive for politics. But that is why it makes it all the more necessary for an independent body to decide on the basis of law."

Mr Wolf, however, denied suggestions that the independent body would be modelled on Germany's own cartel office, which he claimed was "completely independent from political interference". Instead, as a first step he proposed that it be controlled by the European Court in Luxembourg, but added that "the need and possibility for it to overrule a decision for reasons of public interest would have to exist".

Mr Wolf conceded that Germany had not yet received any substantial backing for its proposals but added that France is becoming increasingly attracted to the idea.

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Tragedy overshadows PM's demise

John Lloyd talks to the politician whose policy success was clouded by secret deals

After last week's tragic events in Estonia, the fall of Mr Mart Laar, prime minister of the country for two years, has been sidelined. The sinking of the ferry Estonia revealed a country still uncertain of its capacities to absorb the technical, organisational and moral consequences of the disaster: but the forced resignation of Mr Laar has so far shown a political nation determined to observe a constitutional order still in its infancy.

Estonia is by some way the most successful of the former Soviet states in sloughing off a forced Sovietisation, and Mr Laar, in what was by post-communist standards a long premiership, was the central figure in the success. Dr Werner Unger, the former German ambassador to the European Commission, in Tallinn last week to advise on the country's efforts to accede to the European Union, ran through a checklist of achievements: "A pluralistic democracy, a market economy, liberalised trade, 60 per cent of enterprises privatised, GDP growing, unemployment [1.8 per cent] much lower than western Europe, no budget deficit, public debt 5 per cent of GDP, exports growing, imports growing more rapidly because of the purchase of investment goods and an influx of foreign investment. Wonderful."

Why on earth should a prime minister go after all of *that?* Because he was seen to conceal vital matters from parliament, a grave matter in a plain-speaking state. Soon after his accession to office in Ocober 1992, he and Mr Siim Kallas, chairman of the Estonian central bank, sold nearly Rbs2 bn which had been dumped in the bank just before the country adopted its own kroon currency – to Chechnya, the rebel Russian republic. It was done secretly, by intermediaries who were close to the prime minister, and it came to light only this year; it was underscored by the revelation of another secret Laar deal: to buy small arms from Israel for Estonia's new armed forces.

The case against is that Mr Laar concealed the deal, and may have allowed intermediaries to benefit (there has been no public charge that he benefited himself) and thus damaged a still fragile democratic system. His defence, vigorously put in an interview, is that "there was no time for discussion; Kallas and I were the monetary committee charged with all matters affecting the introduction of the new currency; and frankly, the money helped us enormously in making the budget."

The three-to-one vote against him in the parliament last week he interprets as a signal that the parties in coalition with his Pro Patria group, unable to sustain the hard pounding attendant on severe observance of a tight money programme, were seeking ways out. The social democrats, whose defection sealed his fate, left because they could not get a rise in the low unemployment benefit. For the neo-liberal Mr Laar, issues like these are fundamental. "We have been pressing hard on the people out of work to get other jobs. We won't increase the benefit except to those who take training for new jobs. And you see the result: low unemployment."

The two institutions which have done most to ingrain the market culture into Estonia – the Laar cabinet and the central bank – remain very largely confident that they have shorn up capitalism against any future ruin. Nowhere else in the post-Soviet mosaic has such a self-confident cadre of reformers emerged. Mr Enn Teimann, the deputy chairman of the bank, says that "the legislation of the country [which forbids the central bank to lend money to the budget] will not allow irresponsibility. It is possible that politicians can change this but I don't fear it."

The prime minister, who had in parliament warned that Estonia was still a fragile country vulnerable to populism, appeared to largely discount that: "It would be very hard. There has been such a change of character in the people. The old communist *nomenclatura* has no base."

Mart Laar: forced to resign last week as Estonia's prime minister

Mr Laar's optimism is bolstered by the fact that his partner in the concealed rouble deal, central bank chairman Kallas, has emerged as the candidate of the right for prime minister, and is supported by some of those who passed the vote of censure on the prime minister.

The opposition parties are very much divided: the only candidate talked of is Mr Tiit Vahi, briefly prime minister before Mr Laar, who, says the latter, left him a legacy of high inflation and an untackled structural crisis. "For the first months I had an appointment book which was full from morning to night with meetings with directors, who wanted the cheap credit they had always got. I told each of them 'you cannot get it'."

Choosing a new prime minister is the task of Mr Lennart Meri, the president – a role with limited powers which, Mr Laar (no ally) says he constantly tried to exceed. Mr Meri, consumed last week with the dolorous task of giving public representation to his country's loss, will this week resume the talks with faction leaders from which a candidate should come. His own preference is for a centrist figure: Mr Kallas is not that. Estonia may be in for a change of course: but it will not be fundamental.

Walesa makes his peace with Solidarity union

By Christopher Bobinski in Warsaw

President Lech Walesa made peace with the Solidarity trade union movement and attacked Poland's centre-left coalition government at the weekend for slowing down reform, in the opening salvoes of what promises to be a long campaign to win him a second term in elections due in November 1995.

"The left wing's paw has grown too large," he told sceptical delegates at Solidarity's annual congress. Mr Walesa led the movement to victory over the communists five years ago but the union last year refused to invite him, for failing to support the movement's shop floor aims and being "too soft" on the former communists, the Left Democratic Alliance (SLD). The SLD has been in government with the PSL farmers' party since the autumn of 1993.

"Old methods of government are returning. Poland faces the threat of stagnation," Mr Walesa said as he appealed to the union to agree to become part of a federation of Solidarity-based parties to win parliamentary elections in 1997 and next year's presidential ballot.

Soon after the president's speech Mr Waldemar Pawlak, the prime minister, went on television to say that Poland's Mass Privatisation Scheme (MPP), covering 460 state sector enterprises, would be going ahead ahead. Mr Pawlak has recently come under attack from opposition politicians and the media for delaying the scheme, under which the Polish people are to be given shares in specially established investment funds.

The funds, which will stay in existence for 10 years, are in turn to be handed equity in the 460 companies.

The scheme has acquired a significance far outweighing its actual impact on privatising Poland's 5,000 or so state sector enterprises as both the World Bank and the IMF have made disbursement of loans, helping to finance Poland's recent London Club commercial bank debt reduction deal, conditional on the MPP moving ahead.

Mr Pawlak, however, dismissed opposition warnings that Poland's standing with these institutions would plummet and the debt agreements collapse as a result of the delay since July. Instead Mr Pawlak explained he was worried thet foreign fund managera were being given too great a role in the MPP.

He also expressed his view that the enterprises which were to be privatised through the scheme had been undervalued.

Once these doubts had been removed the plan would go ahead, Mr Pawlak said.

A cabinet meeting is to examine the programme tommorrow.

INTERNATIONAL NEWS DIGEST

Delhi plague fears recede

Schools in Delhi, closed last week because of the plague which has hit India, are to re-open tomorrow amid claims by health officials that the disease is being brought under control. But Pakistan, meanwhile, has banned entry of foreign nationals travelling from India because it fears spread of the plague.

The Pakistanis said all travel between India and Pakistan had been suspended except for returning Pakistani nationals, who will be subject to quarantine. Pakistan put 28 foreign nationals in quarantine at the border village of Wagha at the weekend, along with 320 returning Pakistanis. Officials said they would install telephone lines for the stranded travellers, who included 12 Malaysians and nationals from Iran, Morocco, Canada, Bahrain, Germany, Britain, Australia, South Africa, the US and Japan.

Delhi authorities decided to re-open schools because, they said, medical reports indicated a very high proportion of patients suspected of plague were in fact suffering from other illnesses. The number of suspected cases in India rose by 1,600 at the weekend to just over 4,050, according to the government's National Institute of Communicable Diseases. The official death toll is just over 50. *Stefan Wagstyl, New Delhi*

Tension high in Indian state

Political tensions in the Indian state of Uttar Pradesh were running high last night, after police shot dead four demonstrators and injured 10. The demonstrators were on their way to New Delhi for a rally in support of demands for a separate state for the northern hills of Uttar Pradesh, where many feel alienated from the plainsmen who dominate the state. The clash was at Muzzafarnagar, 200km from Delhi. The Delhi rally of 50,000 people also turned violent when students, who have led the statehood campaign, protested against the presence of national politicians on the speakers' platform.

Demands for a hill state have been revived after a decision by the Uttar Pradesh administration, led by lower caste parties, to implement laws reserving up to 50 per cent of government jobs and college places for lower caste Hindus. The hill districts, where upper caste Hindus dominate, erupted with protests. The conflict has thrown the state administration into disarray and has embarrassed the Congress (I) party of Mr P V Narasimha Rao, the prime minister. *Stefan Wagstyl, New Delhi*

Turkey in threat to Greece

Turkey has threatened Greece with war if Athens extends its territorial waters in the Aegean into Turkish territory, foreign minister Mr Mumtaz Soysal said yesterday. Mr Soysal said he issued the warning to his Greek counterpart, Mr Karolos Papoulias, while both were at the UN General Assembly last week. "The Greek foreign minister told me that [Greece] had the right to extend its waters to 12 miles. I said that would lead to very serious consequences. We let it be known that we didn't want war but would go to war in such a situation." Mr Soysal has gained a reputation for being tough on Turkey's traditional rival, Greece, since becoming foreign minister in July. Though Nato allies, Turkey and Greece came to the brink of war in 1987 in a row over mineral rights in the Aegean. *Reuter, Ankara*

Vietnam exchange to open

Vietnam's first securities exchange is expected to open early next year, the official Vietnam News Agency reported at the weekend. Quoting the central State Bank, it said the exchange would start "on a very small scale", with trading in bonds issued by the government, local authorities, commercial banks and state companies. Trading in shares of privatised state companies, only a handful of which have so far issued stock to shareholders, will follow later. The report confirmed that the State Bank and Finance Ministry's joint committee on setting up the exchange intended to go ahead despite the slow pace of privatisation. Vietnam, which currently has no secondary markets, sees the stock exchange as a vital part of market-oriented reforms launched in the late 1980s. *Reuter, Hanoi*

Calls to clip Crimea's wings

Crimea's ongoing political struggle has prompted growing calls in Kiev for Ukraine to revoke the peninsula's status as an autonomous republic. If the crisis continues, Kiev must take direct control over Crimea, urged Mr Vladimir Mukhin, the Ukrainian parliament's defence commission chairman. He was backed by Ukraine's national security adviser, although Mr Volodymir Horbulin urged time to let Crimeans resolve the problem without "tough measures". Crimea's parliament voted on Thursday to strip President Yuri Meshkov of most powers. When this happened last month Mr Meshkov suspended parliament but relented after two days. The struggle stems from disagreements over economic policy, cabinet appointments and speed of reintegration with Russia. Ukraine's government has taken advantage of the internal struggle to exert more control over the region. *Matthew Kaminski, Kiev*

Radical right leader deposed

Mr Franz Schönhuber, co-founder and leader of Germany's extreme right-wing Republicans, was deposed at the weekend by a unanimous decision of his national executive. This follows a series of election defeats and secret negotiations between Mr Schönhuber and his erstwhile arch rival, Mr Gerhard Frey, leader of the equally extreme Deutsche Volksunion (DVU). The 71-year-old Republicans' leader is the only nationally known figure in the party, and he immediately announced his determination to fight the move, which he said was illegal and contrary to party rules. *Quentin Peel, Bonn*

Russian currency concerns deepen

By John Lloyd in Moscow

The fall in the rouble is "very dangerous" to the Russian government and could push reform off course because the government would lose the fragile confidence it created in the country earlier this year, according to the senior official concerned with the Russian budget.

Mr Sergei Alexashenko, the deputy finance minister, said, however, that his government was still prepared to take "unpopular" measures in order to attract international financial support for a reform programme.

In an interview with the FT, Mr Alexashenko said that there was very little the government could do to stem the flight from the rouble to the dollar. Mr Alexashenko said that the central bank had spent more than $2bn (£1.2bn) defending the rouble in the past two to three months and on his calculation had only $4bn-$4.5bn left – "and after that, what, clearly, there is nothing".

The rouble has lost more than 16 per cent of its value against the dollar in the past week and at close of trading on Friday stood at Rbs2,633 to the dollar.

The deputy minister said that "there will be a drastic rise in the inflationary expectations of the people, and of course an increase in inflation itself – and in the medium term an increase in government expenditure. But the psychological result will be the mistrust of government policy and a continued outflow of funds from the rouble to hard currencies."

Mr Alexashenko – a young economist who was formerly in the "expert group" created by Professor Yevgeny Yasin, now a presidential adviser – has emerged as a key player in the battle to keep the government's tight money strategy on course and to argue with the international financial institutions for increased support. Brought into the government less than a year ago, he says that "the government of (prime minister Victor) Chernomyrdin is much tougher than (former prime minister Yegor) Gaidar's. This prime minister says No to everything."

Speaking in a break between hectic talks on the 1995 budget – already delayed in its promised delivery to the parliament – he said the assumptions for that budget would also be thrown into confusion by a continuing plunge in the value of the rouble. "We were assuming a certain dynamic in the exchange rate. we did not expect such a devaluation.

"If this continues we will have to change the budget's parameters – and cut down on expenditure. The process will be very hard."

The International Monetary Fund, now at its annual conclave in Madrid, should "make clear its view one way or the other," said Mr Alexashenko. "For two years we had a lot of promises but little aid delivered.

"Now I believe the government is ready to take even unpopular decisions – but I'm not sure that either the IMF or the Group of Seven are ready to say what measures they will support," he said.

Slovakia faces a shift to extremes of government

By Vincent Boland in Bratislava

If Mr Vladimir Meciar becomes prime minister after the weekend's general elections it will shift Slovak politics away from the centre ground occupied by the outgoing government and towards the extremes of both left and right.

The most likely new coalition will be between HZDS, the socialist Union of Slovak Workers (ZRS) and the extreme nationalists of the Slovak National Party (FNS), which between them could have 82 of the 150 seats in parliament. This presents Mr Meciar with a formidable hand of cards.

While Mr Meciar's appointment as prime minister is not yet guaranteed, observers in Bratislava said yesterday there were no other likely candidate among senior HZDS officials. Mr Meciar's outsize personality dominates the party.

If he is appointed, it leaves the way clear for him to carry out his campaign promises to undo voucher privatisation, curb the growing influence of Slovakia's ethnic Hungarian minority, and seek to oust President Michal Kovac, the man who helped force him out of office as prime minister six months ago.

The outgoing government of Mr Jozef Moravcik made hesitant progress towards restarting voucher privatisation in Slovakia, and began a process of rapprochement with Hungary over the issue of Slovakia's 560,000-strong ethnic-Hungarian minority, which is seeking greater autonomy over educational and cultural affairs.

HZDS is deeply suspicious of voucher privatisation because

Back in driving seat? Ex-prime minister Vladimir Meciar yesterday after his party had polled a third of the votes

it allows control of state assets to pass to what Mr Meciar terms "anonymous persons". His potential coalition partners are of a like mind, the ZRS fearing huge job losses as companies restructure under new ownership, and the SNS wanting complete state control over the economy as in the communist era.

Mr Meciar might have difficulty in reversing the voucher programme, though he is expected to try. Nearly 1m Slovaks have bought vouchers which they can exchange for shares in a range of state companies the outgoing government has earmarked for inclusion in the programme.

"He can certainly interrupt it, but he may not be able to stop it," one observer said. "It will be difficult to buy back all those vouchers."

Both HZDS and SNS are fiercely opposed to greater autonomy for ethnic Hungarians, who make up more than 10 per cent of Slovakia's population, regarding it as tantamount to secession. Relations with Hungary have been cool since independence, and progress on drafting a comprehensive agreement between the two countries, begun under Mr Moravcik and tentatively scheduled for be ready next February, could now be in jeopardy.

Mr Meciar's greatest problem may yet lie in his relations with Mr Kovac. Mr Kovac orchestrated the campaign that ousted Mr Meciar in March, alleging widespread corruption in privatisation. In the last hours of his administration Mr Meciar approved more than 40 deals to sell state assets to their managers. The bitterness in relations between the two men, once allies in HZDS, will make co-operation extremely difficult.

It is still possible that the ZRS, with 13 seats, will decline to go into coalition with HZDS. It seems unlikely that the party's leader, Mr Jan Luptak, would join a coalition with Mr Meciar because of his opposition to widescale privatisation, but he may yet agree to support such a government informally.

In that case Mr Moravcik could also count on the support of the ethnic-Hungarian parties, which will have 18 seats. A coalition of the DU, the FDL and the Christian Democrats with the support of the ZRS and the Hungarians would give Mr Moravcik 82 seats but a more unwieldy coalition than Mr Meciar could put together.

Whatever the make-up of the next government this election has failed to bring Slovakia much-needed stability.

Biology weapons talks to go ahead

By Frances Williams in Geneva

Negotiations on measures to strengthen the 1972 treaty which outlaws biological weapons will start next January, treaty members decided at the weekend.

After two weeks of difficult talks in Geneva, some 80 governments agreed to establish an *ad hoc* group to draft proposals on verification, anti-cheating measures and other compliance issues.

However, industrialised and developing countries could not agree on how quickly to advance. The industrialised countries want the group, open to all 131 treaty members, to push on with a draft protocol for approval at the next treaty review conference, in 1996. But some developing countries want to proceed more cautiously.

They have succeeded in qualifying the group's mandate in ways that would allow it to produce non-binding recommendations or to delay completion of its work beyond 1996. Thus the stage is set for arduous negotiations when the group convenes in January.

Unlike related accords, the nuclear non-proliferation treaty and the chemical weapons convention, the biological weapons convention has no provisions against cheating.

Third World countries are worried by the threat which tougher measures to enforce compliance could pose to technology transfer and development of their own biotechnology industries. They also fear intrusive inspections of military facilities.

WORLD TRADE NEWS DIGEST

EU hopes for Uruguay Round

European Commission officials last night predicted that the EU would be able to ratify the Uruguay Round accord before the end of the year, ahead of the official deadline. The news will be welcomed by governments worried that the EU would not meet its side of the billion-dollar trade agreement on time. It will also send a positive signal to the US, whose own ratification procedures are hampered by uncertainty.

An announcement by the European Court of Justice that it would give its opinion on who has the power to negotiate in certain trade areas on November 15 ended a dispute between the Council of Ministers and the Commission over the legal basis for ratification. Officials, who were not expecting the judgment so early, said this allowed enough time to ratify before January 1. It has also emerged that the Council of Ministers has agreed to send tha necessary paperwork to the European parliament to allow it to be consulted ahead of the deadline. "Both reasons make it all the more likely that we will come out in time," said the Commission.

The Commission asked the court for advice after member states argued that it did not have the authority to negotiate in areas such as services and intellectual property rights where no trans-EU legislation exists. Fears that the court would not produce a verdict early enough prompted the German presidency of the EU to work out a code of conduct under which the Commission would for most purposes be able to conduct trade negotiations, leaving member states to have their say in a few special circumstances. *Emma Tucker, Brussels*

More Japanese car exports

Japan and the European Commission have revised upwards their forecasts for exports of Japanese cars to the EU by 9,000 cars, a rise of 1.3 per cent against the 1993 agreement.

The increase formed part of an agreement in July 1991 allowing for a transitional period during which time Japan will monitor exports to the EU and the five member states that previously restricted imports. It reflects the unexpectedly higher number of vehicle registrations this year. The Commission and the Japanese government now predict that demand this year will increase this year by 4.4 per cent. The forecast of exports to the five member states that previously restricted imports are France, 78,500; Italy, 47,000; Portugal 39,500; Spain, 35,500; UK 184,600. *Emma Tucker, Brussels*

Contracts

Samsung Aerospace Industries and 31 other South Korean companies have formed a consortium to make commercial aircraft with China. A 100-seat pilot aircraft will be manufactured by 1998 at a cost of $1.2bn, to be shared between the Chinese side and the South Korean consortium. Members of the consortium include Korean Air, Daewoo Heavy Industries, and Hyundai Corp's Hyundai Technology Development. *Reuter, Beijing*

■ Bombardier, the Canadian aerospace and transport equipment group, and SNC-Lavalin, Canada's biggest engineering group, will provide a C$961m ($717m) 30km, 25-station light transit system for Kuala Lumpur, for completion in 1998. Bombardier-SNC will build 70 vehicles and be responsible for system controls and rails. Renong of Malaysia will build the glideway and stations. Bombardier-SNC's share of the total contract is almost C$600m. The transport system will be based on Vancouver's Skytrain. *Robert Gibbens, Montreal*

■ Philippine food and beverage giant San Miguel plans to build an aluminium can plant and is negotiating with Japan's Yamamura Glass to take part in the project. The plant, which SMC hopes to start building next January in General Trias, Cavite province, will have a capacity of 420m cans a year and is expected to be on stream by 1996. About 50 per cent of committed capacity would be exported to Hong Kong, China, Vietnam and Japan. *Reuter, Manila*

■ Siemens of Germany and Ansaldo SpA have won acontract to supply electrical equipment for 30 high-speed locomotives in Italy. The contract, awarded by the Italian state railway, is worth a total of DM220m ($142.8m) with Siemens' part worth some DM50m. *AFX, Erlangen*

■ Japanese trading company Kanematsu has contracted to export 200,000 tonnes of Australian coal to China. The coal will be shipped next month for use by a thermal power plant in southern Guangdong province. *Reuter, Beijing*

■ China's steelmakers, facing rising stockpiles and falling prices at home, plan to export more. However, exports in the first eight months of this year totalled only 930,000m, against a target of 2m for the year. Domestic steelmakers reduced output because of rising stockpiles. *Reuter, Beijing.*

US persistence pays off at trade talks

By Nancy Dunne in Washington

After a 20-hour negotiating marathon, US trade officials were too weary to celebrate their success in reaching "significant trade agreements" with Japan in the areas of telecommunications, medical technology, insuranca and flat glass.

"You wouldn't want me to fall under the table right before your eyes," said a hoarse Mr Mickey Kantor, the US trade representative, as he prepared to go home.

But first he pulled a dog-eared sheet of paper from his shirt pocket and read his "instructions" from his deputy, Ms Charlene Barshefsky. "Three things we are going to get," he read. "Annual progress in [exports] valua and [market] share. Significant increase in access and sales, using recent trends to evaluate the extent of the process made."

This was the formula agreed for the results-oriented trade pacts the US has been demanding for the past 15 months. For months Japanese officials called it "managed trade" and skilfully organised worldwide sentiment against it. The Europeans, whom Mr Kantor had hoped to count as allies, stood aside. In the end, the deals contained no "numerical targets" or fixed market shares. In fact, Ms Barshefsky said, US government and industry wanted no more than rising "trend lines". They did not want specific targets setting ceilings on foreign market share as in the case of semiconductors.

The successful Japanese public relations offensive emboldened the bureancracy and delayed agreement, said one former US official. But fears of unrest on the currency markets, the return to power of old-line Japanese officials and concern about damage to the overall US-Japan alliance ultimately prevailed.

The US got by no means everything it wanted, but the gains were solid enough to cede to Japan a victory of sorts on vehicles. Efforts to get commitments from Japan's private sector for increased purchases of car parts were set aside. Mr Kantor, however, will bring a trade action against Japan's regulatory barriers to sales of foreign car replacement parts.

The action will come under Section 301 of US trade law, rather than the much-loathed "Super 301", which "may have been the wrong signal at the wrong time", said Mr Kantor. There is little difference between the provisions – both require a year of negotiations to end specified trade barriers, with the threat of threaten sanctions if all else fails – but a simple 301 is considered less offensive.

According to US officials, the final throes of the talks were gruelling, repetitious and marked by some embarrassing incidents of recriminations by a senior Japanese official towards his juniors. Although it was held in Washington, the dozen US negotiators involved were greatly outnumbered by the Japanase delegation. Eighty were lodged at the Willard hotel alone.

The achievement should go a long way towards boosting Mr Kantor, who has lately has been criticised for moving too slowly to get the Uruguay Round pact through Congress.

"Kantor has proven once again to be the guy who gets results," said Mr Clyde Prestowitz, one of the administration's outside advisers on Japan. "I don't know how mnch this will effect the trade deficit but it will make a significant difference for companies in these sectors."

Mr Kantor sought to gain some credit for President Bill Clinton, who he said had been "clear, precise and unwavering" in his instructions. Then he talked of the "enormous common agenda" shared by the US and Japan – implementation of the Uruguay Round, moving the Asian Pacific regional trade group toward more open trade, political and strategic issues.

"It involves co-operating together to create global growth to raise standards of living, not only in our own countries but around the world." This package of five trade deals takes both conntries "a giant step" toward those goals, he said.

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US trade representative Mickey Kantor announces the trade agreements with Japan over the weekend AP

IMPASSE ON CAR DEALS RANKLES IN US

The failure to reach an accord on further opening Japanese markets to US vehicles and parts soured what was otherwise a highly positive response by US companies to the outcome of the talks, Richard Waters writes from New York.

Ford, the US's second-biggest motor manufacturer, said that failure in such a significant area of trade "raises questions about Japan's seriousness" in opening its markets. It added that it would press the administration to monitor how Japanese companies operate in future in both the Japanese and US car markets, and called for a presidential commission to "recommend further action". Like other US manufacturers, Ford claims that some structural aspects of the Japanese car market act as hidden barriers to importers.

For instance, the fact that Japanese manufacturers have financial stakes in many dealers makes it difficult for foreign manufacturers to find dealers to take on their products, Ford said.

JAPANESE TAKE PACTS IN THEIR STRIDE

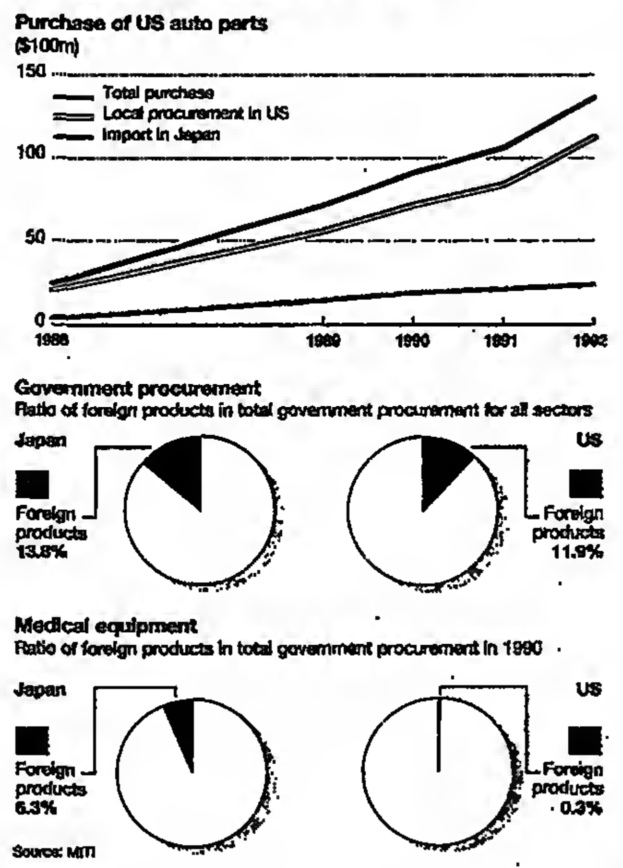
Japan's business community had resigned itself to some market opening agreement before the partial accord covering US-Japanese trade issues was annnunced, Michiyo Nakamoto writes from Tokyo. Even the car indnstry, which could be adversely affected by the US decision to initiate a Section 301 investigation of the replacement parts industry, took the latest US verdict in its stride.

"Once the business environment improves it will be possible to prove that the Japanese market is not closed," one industry official commented.

In the glass industry there was relief that the talks did not result in sanctions, as well as a general sense that their claims about the openness of the market had been vindicated.

The main concern for Japanese business has not been so mnch the impact of likely sanctions, which has never been considered significant, as the adverse effect another rupture with the US could have on currency rates.

US-Japan: trade differences



Source: MITI

Where the agreements came

Nancy Dunne on the US-Japan pacts reached at the weekend

The US and Japan struck a series of market-opening trade agreements at the weekend, averting a threatened trade war between the world's two largest economies.

The US administration, which had been pressing Japan to open key markets, hailed the accords – covering telecommunications, medical equipment, insurance and glass – as landmark deals to result in billions of dollars of new sales of US goods and services. Agreement was reached in the following sectors:

Telecommunications

Two pacts were agreed. One covers the sale of telecommunications products and services to Japanese government agencies (a $2bn-a-year market) and the other, sales to Nippon Telegraph and Telephone, which is 65 per cent government-owned, a market worth $9bn (£5.6bn) a year.

The pacts are similar. Japan agrees to provide early, detailed information of procurements; to allow foreign suppliers input on purchase plans before tenders are finalised; to use international standards when available; to reduce the number of sole-source contracts, which tend to go only to Japanese companies; and to institute a modern "overall best-value" bid evaluation system.

The US promises its own industries to closely monitor the NTT pact and consult with Japan, as needed.

Medical equipment

For the $2.5bn-a-year medical equipment government procurement market, the pact provides for the use of open and transparent procedures and decisions based on "overall greatest value" of bids. This means highly sophisticated medical technology made by foreign companies will not be automatically excluded because of their initial price.

Japanese hospitals will have to publish annual information on the top 10 medical technology products it plans to buy that year. The pact also has a comprehensive complaint mechanism for dealing with "unfair" bids.

Vehicles and parts

The US sets aside many of its demands and brings a unilateral trade action against the regulatory regime for car replacement parts. This will become lucrative as foreign sales gain market share in Japan. The licensing process blocking imports is "so obvious and pernicious that it cries out for relief", Mr Kantor said.

Insurance

Japan promises more transparency in its regulatory system, import procedural protection, specific liberalisation measures and strengthening of anti-trust policy. It also agreed to introduce the broker system to diversify and promote competition.

Japan has the world's second largest insurance market, with approximately $320bn in premium income annually; foreign companies take only a 3 per cent share of this. The government agreed to implement a three-stage deregulation plan to expand sales opportunities for foreign companies.

Flat glass

A $4.5bn-a-year market, dominated by three big producers with separate, tightly controlled distribution arrangements. Japan's glass window market is the second largest in the world, and the US has less than 1 per cent of it – compared with global shares exceeding 25 per cent in Europe and Latin America. US and Japan have agreed to "a set of principles" and will seek to flesh out the agreement in the next 30 days. Failing that, the US will then bring a unilateral trade action against Japan's flat glass market.

Gatt ruling on vehicle taxes goes against EU

By Frances Williams in Geneva and Nancy Dunna in Washington

A dispute settlament panel of the General Agreement on Tariffs and Trade has ruled in favour of the US on most of the EU complaints brought against US laws regulating vehicle fuel economy and luxury taxes.

Tha decision is also a setback for US opponents of the new Uruguay Round deal, who have argued that the "faceless bureaucrats" in Geneva will force the US to change environmental and consumer laws.

The panel ruled in the EU's favour on one issue – that accounting rules, established under the US Corporate Average Fuel Economy law (Cafe) were inconsistent with Gatt.

Mr Mickey Kantor, the US trade representative, said he would not ask Congress to change the rules, as they "do not have any actual economic impact on EU auto manufacturers and therefore no trade damage results". In a written statement, US officials said Gatt had found for the first time that conservation measures "could excuse a country's law thet was otherwise inconsistent with the Gatt".

Gatt set up an independent disputes panel in May 1993 to examine the EU's allegation that US car taxes discriminate against European exports. The EU claimed European car makers were paying a disproportionate share of the three taxes – two of which penalise high fuel consumption, while the third is a luxury tax on cars costing ovar $30,000 (£19,000).

Brussels had said the total revenue of the three taxes levied in 1991 was $558m, of which $494m fell on European cars. European manufacturers paid 100 per cent of penalties under the Cafe law, 80 per cent of the "gas-guzzler" tax, and 80 per cent of the luxury tax. European cars had just 4 per cent of the US car market.

The EU argued that Cafe payments in discriminated against European luxury car makers, as they were based on the sales-weighted average fuel consumption of all models produced. Thus US producers who make cars in a range of sizes, and Japanese makers of mostly small, fuel-efficient cars, do not incur penalties.

The Cafe limits for company cars set an average fleet standard of 27.5 miles per gallon (8.8 litres per 100km) and vehicles with a worse mileage are taxed. The "gas-guzzler" tax penalises other passenger cars that achieve less than 22.5 mpg. Friends of the Earth in Washington, an environmental group, says the Cafe law has led to savings of over 2.5m barrels of oil a day.

Malaysia, China, Korea, Singapore and Thailand are asking lawyers to look into a decision by the European Commission to impose doties on televisions sold in the European market, writes Emma Tucker in Brussels

The decision was announced at the weekend after a year-long investigation into allegations that these countries were "dumping" their goods in Europe, or selling them at prices below those in their home markets. The commission argues there will be no "dramatic" increase in prices from the duties, which range from as little as 3.1 per cent to 29.8 per cent.

The investigation was triggered by complaints from six European producers: Thomson of France, Dutch electronics gronp Philips, Gründig, and Nokia of Germany, Bang & Olufsen of Denmark, and Italy's Seleco.

Its findings showed the market share of the five countries under investigation had increased from 9.9 per cent in 1989 to 19.6 per cent in 1992. Over the same period, in spite of the fact that the market was growing, the EU industry's share had dropped from 36 to 28 per cent.

US and UK show best drugs markets growth

By Daniel Green

The UK and US have consolidated their positions as the fastest-growing pharmaceuticals markets among large developed countries during the first seven months of 1994,according to figures published today by IMS International, the specialist market research company.

The huge north American market grew by 7 per cent to $29.9bn in prescription drug sales compared with the first seven months of 1993. This compares with average growth of 5 per cent for the whole of last year, suggesting that efforts by insurers and employers to cut their healthcare bills were having little effect on the drugs side.

The second biggest market is Japan, which imposed widespread price cuts in April this year. Sales to July grew just 1 per cent to $12.2bn in constant currency terms, compared with an average 6 per cent growth during 1993.

In the UK, one of the smaller markets, sales grew 8 per cent to $3.1bn, a small fall from 1993's average of 11 per cent, possibly as a result of price cuts imposed by the government at the end of last year.

France, which has for many years had low drug prices but high per capita consumption, saw an above-average rise in sales in July. Sales for the first seven months grew 1 per cent to $6bn, compared with zero growth in the six months to June. This was nevertheless a sharp fall on 1993's average of 6 per cent growth, reflecting France's determination to maintain low prices in the face of its high consumption rates.

Italy, which reformed its health policies at the start of the year, is now the only country in the top eight not to show at some growth, the IMS report said. Italy's drugs bill fell 2 per cent in 1993 and 7 per cent in the seven months to July. The increased decline was the result of government reforms in January this year which cut subsidies on many drugs.

Germany's drugs budgat reforms were enacted in 1993, leading to a fall of 9 per cent in spending in thet year. The first seven months of 1994 showed a 6 per cent risa, perhaps because doctors and patients were learning to exploit the loophole that hospital drugs were exempt from last year's controls.

By therapeutic area, central nervous system drugs, including anti-depressants, extended their lead as the most popular category in the US. This may be because of contintiing publicity surrounding Eli Lilly's best-selling drug, the anti-depressant Prozac, which has been more popular than expected this year.

Israel expects boom in investment as ban ends

By David Horovitz in Jerusalem

Israel is expecting a rise in foreign invastment following this weekend's announcement by Saudi Arabia and the other five members of the Gulf Co-operation Council that they will no longer boycott companies that trade with Israel.

The GCC decision to end the so-called "secondary" and "tertiary" boycotts on international companies that trade directly and indirectly with Israel was announced after talks between the Mr Warren Christopher, US secretary of state, and GCC foreign ministers in New York. The GCC states also promised to support any move in the Arab League to cancel the continuing direct boycott of trade with Israel by much of tha Arab world.

Israel's finance minister, Mr Avraham Shochat, predicted a significant boost for the Israeli economy, with multinational companies reassessing their positions. Some analysts claimed thet national economy could expect a 1 to 2 per cent boost in annual growth. Others calculated thet the cumulative damage to the Israeli economy of the Arab boycott over the decades amounted to between $20bn and $40bn.

The GCC decision was immediately attacked by the Syrian, Lebanese, Iranian and Libyan governments, with Syria's foreign minister, Mr Farouq a-Shara, arguing that the move was "not timely". The boycott is administered from offices in Damascus.

The Syrian criticism undermined tha political significance of the move. Mr Christopher had been trying for months to win Syrian backing for an end to the boycott, saying this would create a more positive atmosphere in Israel, enabling Mr Yitzhak Rabin, prime minister, to win more support among the Israeli electorate for peace moves with Syrian involving territorial compromise on the Golan Haights.

The Israeli media highlighted GCC commitments soon to allow direct mail to and from Israel, the entry of tourists and businessmen with Israeli stamps in their passports, and the use of their air space by foreign aircraft flying to and from Israel.

● Tunisia yesterday took the first step towards normalising relations with Israel by opening an interest section in Tel Aviv and allowing Israel to open a similar office in Tunis. Initially, the representation will be handled by Belgian diplomats. But Mr Peres and his Tunisian counterpart, Mr Habib Ben-Yahia, agreed at a meeting in New York that Israeli and Tunisian diplomats would be appointed within a few months.

NEWS: IMF/WORLD BANK IN MADRID

Ministers to probe savings and investment

By Peter Norman, Economics Editor, in Madrid

Finance ministries of the world's big industrial countries decided yesterday to investigate the outlook for world savings and investment, in the hope that this might shed light on current, higb, real long-term interest rates.

The Group of Ten countries adopted a proposal by Mr Kenneth Clarke, the UK chancellor, to launch such a study. Mr Theo Waigel, German finance minister, said that the European Union's council of economics and finance ministers (Ecofin) would also investigate how different tax regimes affected savings and capital investment in the course of Germany's current six-month presidency of the EU.

The linked questions of high long-term interest rates and savings and investment were raised in Saturday's meeting of finance ministers and central bank governors from the Group of Seven countries (the US, Japan, Germany, France, Britain, Italy and Canada). The debate was taken further in a meeting yesterday of the G10 (the G7 plus Belgium, the Netherlands, Sweden and Switzerland and so 11 countries in fact) and the policy-making interim committee of the International Monetary Fund.

Mr Clarke told the committee that savings and investments were running perhaps two to four percentage points lower than in the 1960s and early 1970s, when they both accounted for about a quarter of world gross domestic product. Also, real interest rates were at historically high levels, up by one to two percentage points against the average for most of the period since 1945.

The chancellor said the industrialised countries needed a consensus on what to do, because very large new investment opportunities, in prospect in Asia and Latin America, would increase claims on savings. More sucb claims might soon emerge in former communist countries and Soutb Africa.

Bundesbank head Haus Tietmeyer and minister Theo Waigel pause for the football scores Reuter

Mr Clarke said steps must be taken to reduce the financial demands of governments on markets by reducing fiscal deficits.

This theme was taken up vigorously by Mr Waigel. The German minister pointed out that total government debt, in the industrialised countries of the Organisation for Economic Co-operation and Development (OECD), now averaged 70 per cent of GDP and was 25 percentage points higher than at the start of the 1980s.

Mr Waigel said a determined medium-term consolidetion of industrial country budgets was the "central pre-requisite" for reducing global imbalances between savings and investment and hence reducing high real interest rates. He said Germany was showing the wey and would probably bring its annoal deficit/GDP ratio below 3 per cent this year and thus sooner than expected.

Yesterday, Mr Clarke underlined thet free international capital flows and the global capital market were a boon to the world economy. He rejected the idea of re-imposing capital controls or re-creating formal exchange rate links between leading currencies.

UK officials said the G10 study would be taken forward by the ministers' deputies and would also involve the IMF and the Basle-based Bank for International Settlements. They hoped for an interim report by the IMF meeting in Washington next spring.

At the G7 meeting on Saturday, ministers decided to involve the central bank governors more closely in their discussions, so as to increase the governors' understanding of the impact of financial markets on their economies.

Commenting on long-term interest rates after the G7 meeting, Mr Eddie George, Bank of England governor, said he and many of his colleagues thought that hond markets were exaggerating the dangers of inflation.

Observer, Page 19; Economic Notebook, Page 25

Latin America 'in need of institutional reform'

By John Gapper in Madrid

Reform of financial institutions, and encouragement of private savings in Latin American countries, is needed to reduce the volatility of capital flows into and out of the region, a group of leading bankers said yesterday.

The Group of 30, a Washington-based group of executive of banks and investment banks, said that capital flows into Latin American countries were more volatile than those related to the bank loans they had largely replaced.

The group said the rise in US short-term interest rates this year had sown this volatility in debt instruments with \$10.5bn (£6.6bn) in new bond issues during the first nine months of this year, compared with \$2.3bn in 1993.

The study also found that foreign portfolio investment in Latin America has substituted for domestic savings.

The group recommended these reforms in Latin America, to reduce the degree of substitution, making local capital markets more liquid and better able to withstand fluctuations in external flows:

- Central banks should be independent and should pursue domestic price stability. The study says such stability – towards which considerable progress has been made – underpins the growth of mature local capital markets.
- There should be reform in the financial sector, including higher accounting and disclosure standards. Countries should try to develop pension, insurance and mutual funds, and develop longer-meturity bonds and derivatives. Tbe study called for Latin American banks' capital requirements to be higher than the minimum laid down in the 1988 Basle accord, because of the relatively high risk of their loan portfolios.
- Domestic loans and investment rates should be raised from current low levels. Private sector incentives such as changes in taxation and requirements to invest in pension funds should be considered.
- Industrial countries should continue to support economic reform by ensuring eccess to their markets by Latin American goods and services, and by ratifying the Uruguay round of global trade liberalisation.

Latin American capital flows: Living with Volatility; Group of 30, 1990 M Street NW, Washington DC 20036, USA; \$20.

Infrastructure attracts more private finance

By Nancy Dunne in Washington

Private financiers are moving into infrastructure development, in volumes well above expectatious of just a few years ago, despite the risks of investing in emerging economies. This is according to a report released by the International Finance Corporation, the World Bank's private sector arm.

The IFC is playing a leading role in managing private sector infrastructure development. Since its first infrastructure financing in 1966, the corporation has undertaken 88 infrastructure transactions worth \$15bn (£9.5hn) in 20 countries.

The "renaissance" in private sector financing can be traced to several developments. In many countries, both the governments and consumers are disappointed by the poor performance of pnblic projects. Other governments, with tight bndgets, are turning to their private sectors.

Developments in financial markets have created a wider pool of financiers and more financing techniqnes. Technological changes in telecommnnications, power and transport systems have rednced unit costs and eased private sector entry.

In 1988-1992, governments in 15 developing countries privatised more than \$20bn of infrastructure-related assets.

"Companies have supplied finance, and the ability to take risks and to implement projects efficiently, while governments have contributed a willingness to privatise, to experiment with new more competitive regulatory environments, and to eoconrage non-guaranteed financing," the report says.

The rise in private financing and manegement of power plants, roads and other infrastructnre can nltimately deliver better results than projects managed by governments, the report said, noting that, while it is still too early to jndge operational performance, signed contracts suggest that efficiency gains are being achieved.

The IFC says companies are also learning to manage environmental risks. Project managers are bringing in foreign companies to apply the lessons of environmental management learned in their own countries. "Private ownership that eocourages better cost recovery is also having an impact on energy conservation by customers," it said.

MADRID CONFERENCES DIGEST

Surprise Russian move on debts

Russia surprised and sbocked the G7 countries at the weekend by appearing to demand sweeping readjustment of its foreign debt position. Officials said Mr Alexander Shokhin, Russian deputy prime minister, asked for treatment of Russia's debt that would be equivalent to the 1950s London agreement settling Germany's debt burdens after the second world war.

Although details were not clear, Mr Shokhin reportedly sought an answer within seven days. Mr Kenneth Clarke, UK chancellor, said afterwards the G7 had not been able to make a considered response to the Russian demands. Instead, G7 finance ministers had asked Mr Shokhin to put his proposals on paper. Resolving Russia's debt problems would need much more detailed work by the Paris Club of western creditor nations, he said. *Peter Norman*

Japanese to head institute

Mr Toyoo Gyohten, chairman of the Bank of Tokyo, yesterday became the first Japanese to head a major global finance body when he was elected chairman of the Institute of International Finance (IIF), the Washington-based association of over 180 institutions, including all leading commercial banks. A former vice-minister of finance, Mr Gyobten said it was important for the IIF to act as a policy forum whicb would analyse issues concerning emerging markets. He was elected in succession to Mr Antonione Jeancourt-Galignani, former chairman of Banque Indosuez, at the IFF annual meeting in Madrid, held in advance of today's formal gathering of the IMF and World Bank. *Tom Burns*

SA 'relaxed' on credit rating

Mr Chris Liebenberg, South Africa's finance minister, told international bankers yesterday he was "relaxed" about the forthcoming rating of the republic's creditworthiness by the US investor service agencies Moody's and Standard and Poors and by Nippon of Japan. "On fundamentals we should be an A but I understand there should be uncertainties until we have proven thet we can deliver our policies," he said. "If we come out with e BB I'll be relaxed. Any rating is better than having none at all as we had before," said Mr Liebeuberg, who succeeded Mr Derek Keys as finance minister two weeks ago. *Tom Burns*

Complaint filed on Nepal dam

A first complaint has been filed to the World Bank's newly established panel set up to investigate complaints from people adversely affected by Bank projects. A group of non-government organisations from Nepal has charged that the Arun III hydroelectric dam project is in violation of the Bank's policies and procedures. They said the high cost of the project could result in cuts in health and social services programmes, while construction of e 122km road to the dam site would have adverse environmental effects. *Peter Norman*

Loan planned for Algeria

The World Bank is preparing a loan of between \$100m and \$200m for Algeria to help it with an ambitious structural reform programme. Mr Caio Koch-Weser, World Bank president for the Middle East and North Africa, said he hoped to put the proposed "emergency rehabilitation loan" before the Bank board before the end of this year. In addition, the Bank was providing an emergency \$50m loan in the wake of an earthquake disaster. *Peter Norman*

Comeback kid shows no fight

Jurek Martin examines a battered President Bill Clinton

Franklin Roosavelt created it, Ronald Reagan perfected it and it is now on every US president's Saturday morning schedule.

It is a short radio report to the nation, from the Whita House or wherever the president is, lasting no more than about five minutes. An bour later, a representative of the opposition party of the day gets equal time to respond.

There was more reason than usual to tune in to President Bill Clinton's talk last Saturday. Last week, the Republican party's "scorcbed earth" policy eviscerated in Congress what had remained of his domestic legislative agenda.

On Friday afternoon, campaign finance reform had gone the way of bealthcare reform. Approval of tbe Gatt trade treaty was put on bold – by a Democrat at tbat, Senator Ernest Hollings of South Carolina. Bills covering cleansing of contamination by toxic waste, western land preservation, bousing, and telecommunications were all dead or dying.

Even popular proposals, such as reform of lobbying and education, needed respirators.

As the week ended, Democrats, like Senator George Mitchell, the majority leader in the Senate, were openly apoplectic about Republican obstructionism. The opposition, the senator charged, was determined to bring Congress further into disrepute "so they can inherit the rubble".

Yet, on Saturday morning, the Democratic president did not even allow tbe word "Republican" to pass his lips. Ha did try to parade his achievements, and bemoaned what had been lost, but the culprits were always unnamed "lobbyists" or Senate "filibusters", which, as every Congress-watcher knows full well, have virtually all been orchestrated by the Republican party.

Almost as an indication of Republican contempt for the president, the party's response, by Senator Judd Gregg of New Hampsbire, hardly referred to Mr Clinton's remarks. Instead, it assaulted his policies on Haiti, which the president had not even mentioned.

Mr Clinton's reluctance to come out fighting may reflect immediate political concerns, not least the fate this week of the bills to reform lobbying and education. Howevar, by that token, he might even be persuaded to hold back until the Senate has reconvened at the end of November to consider the Gatt agreement – and that will not be until after the mid-term congressional elections on November 8.

Survey after survey of US opinion shows the elections as likely to be potentially disastrous for Mr Clinton and the Democrats, who now represent the political establishment in the widely loathed capital.

Both the New York Times and the Washington Post yesterday carried extensive analyses, pointing to the likelihood of Repnblican control of the Senate, possibly of the House of Representatives and even of most state governorships.

Some Democrats in rock-solid seats are now fighting for their lives, inclodlng Senator Edward Kennedy in Massachusetts. Many bave chosen to respond by shifting themselves to the maximum distance from their president. A mid-western fundraising trip by Mr Clinton a week ago was poorly attended and its financial gain was disappointing.

In fairness, the elactoral season will not really begin until Congress adjourns, probably at the end of this week. Incumbents have been kept in Washington by the heavy congressional schedule, though some, like Mr Tom Foley, Speaker of the House, were forced back home at the weekend by polls indicating the depth of their difficulties.

But, even if the public perception is that Mr Clinton is a drag on Democratic candidates, a deferential silence from him in the five weeks before November 8 might be yet more devastating. It would risk leaving the impression that he is prepared to face two more years of Washington "gridlock", which is the certain result of large Republican gains.

As R W Apple noted in the New York Times yesterday, this impasse with Capitol Hill could be turned to the president's edvantage in 1996, as it was did in 1948 when President Harry Truman ran for re-election in the last months of the "do nothing" Republican Congress returned two years before. Bnt a more common view among Democrats, especially those up for re-election now, is that it would be folly to let the Republicans "get away with it" now.

Mr Clinton, self-styled "comeback kid" of the 1992 race, can still be a formidable campaigner when his heart is in it. But, on Saturday, in front of a clear target and a ready-made forum, there was no hint of fighting spirit.

His wife, Hillary, who also has much to lament with the loss of bealthcare reform, was at least back in political harness campaigning for ber brother, Hugh Rodham, a Senate candidate in Florida. But the nation still waits on its president.

Haiti military chief Gen Cédras leaves a weekend meeting Reuter

About 300 soldiers from seven Caribbean countries will be deployed in Haiti today – the first non-US troops to arrive since the military intervention began a fortnight ago, reports Canute James, in Kingston, and agencies.

The new troops, part of a multinational force which is to assist imposing order in Haiti, have been training in Puerto Rico for three weeks.

They will be assigned to the docks in Port-au-Prince, Haiti's capital, relieving US personnel.

The port area has been the scene nf bloody clasbes between factions snpporting the Haitian military and those backing the exiled President Jean-Bertrand Aristide.

The Caribbean troops will operate autonomously. Their deployment follows visits to Haiti last week by army chiefs from countries in the region. They concluded that the situation in Haiti is stable enough for the Caribbean detachments to go in.

Meanwhile, US troops are to stop violence between Haitians when they safely can, but a senior US official said yesterday that this did not mark a broadening of US policy.

Cuba opens new markets for sales by farmers

By Pascal Fletcher in Havana

"Pardon our inexperience. Tomorrow, we will do it better". The sign in one Havana marketplace summed up the first day of Cuba's latest economic reform experiment.

Nearly 150 farm markets, a novelty in the state-controlled economy, opened their doors in the Caribbean island at the weekend as state farms and co-operatives, including military units, began to sell surplus meat, fruit and vegetables directly to the public.

But small peasant farmers were conspicuous by their absence, a sign that they may be initially wary about whether the move will really benefit them.

Shoppers gathered early at the 15 markets opened in Havana, but the avalanche of demand predicted by many observers did not immediately materialise.

Farms operated by the armed forces appeared to be setting the pace at the new markets, in terms of both prices and produce offered. Cuba's armed forces, battle-hardened in overseas wars in Angola and Ethiopia, are now being increasingly used to combat the island's internal economic crisis. They have been helping to grow food for the population since last year.

Mr Manuel Vila Sosa, internal trade minister, bad promised that tbe farm markets would operate on a free market basis. Producers, after fulfilling contracted quotas to supply the state, could set their own prices for the general public, reflecting supply and demand. Sales income would be taxed.

Undercutting and eliminating tbe black market in Cuba is a main objective of the new farm markets. Food shortages are one of the most sensitive symptoms of the four-year economic recession gripping the country.

The crisis followed the collapse of Cuba's preferential trade ties with what used to be the Soviet bloc, an economic belly-blow worsened by the recent tightening by the US of its trade embargo on Cuba.

The government, which for years has paid rock-bottom prices to farmers, is hoping the price incentives offered by the new markets will belp to reverse the current fall in food production.

INTERNATIONAL PRESS REVIEW

Candidate with a Real chance of being elected

LATIN AMERICA

The presidential election today in Brazil and the likely victory of Mr Fernando Henrique Cardoso, a sociology professor turned inflation-conquering finance minister, are prompting optimism throughout Latin America about prospects for growth, if the region's biggest economy remains stable.

But for thousands of Brazilian twins, the issue is more straightforward: will they get the vote? The twins were disenfranchised when electiou authorities, noting that such details as dates of birth and parents' names were identical, suspected they were fraudulent attempts to create votes for "non-existent" people, a common practice in parts of Brazil.

Last-minute appeals by desperate siblings appear to bave persuaded the authorities to let the twins vote. But as SBT, Brazil's second TV station, reported on Saturday night, the change of policy has not yet been officially sent to the provinces.

Boris Kasoy, the station's anchor, wbose catch phrase "it's a disgrace" is used nightly to criticise tbe government, described the episode as plain "stupid".

Despite sucb late hitches, campaigning has been peaceful and debate, at times, serious. The main newspapers agreed that Brazil's democracy has matured since the vicious 1989 presidential campaign won by Mr Fernando Collor, wbo leter resigned amid corruption charges.

"In 1989 polarisation, radicalism and passions predominated. In 1994 we have reached polling day witb less turhulence," according to an editorial in *Folha de São Paulo*, Brazil's biggest selling daily.

The media, whicb have supported Mr Cardoso throughout the campaign, also agreed that his expected victory sbowed the country wanted stability rather than change. As finance minister, he planned the country's new currency, the Real, which led to a fall in monthly inflation from 50 per cent to less than 2 per cent.

Voters seem attracted by that record of success rather than by the rhetoric of Mr Luiz Inácio Lula da Silva, the left winger who promised to tackle social problems and build a "fairer" Brazil.

Ms Maria Tereza Souza Monteiro, a polling specialist interviewed by *Veja* news magazine, said: "The majority voting for [Mr Cardoso] are acting out of caution to prevent tbings changing unpredictably. What has struck me is that the elector, trying to be more rational, has this time refused to dream, whicb was alweys an inseparable part of our election campaigns."

Mr Cardoso is well known througbout Latin America, where his work as a left-of-centre sociologist is still studied.

His victory will be welcomed by the continent because be is likely to accelerate Brazil's integration with its neighbours. For example, he is strongly committed to Mercosur, the customs union with Argentina, Paraguay and Uruguay, which comes into force on January 1.

The weekend press in Buenos Aires was unanimous in its assessment that the inflation-battling Plan Real had wooed the Brazilian people and was certain to catapult Mr Cardoso to power. Newspapers pointed out the added importance of Brazilian elections for Argentina, given the close economic ties being forged between the two countries within the customs union.

In a piece entitled "Brazilian elections: An event viewed through a magnifying glass in Argentina", *La Nación* said it was now commonly held that "with Mercosur, everything that occurs in one country has infinite importance in the other."

It was also genuinely accepted, said La Nación, that Argentina was rooting for a Cardoso victory so that Brazil could be "once and for all converted to a market economy".

Mr Cardoso, it said, had borrowed beavily from Argentina's inflation policy under economy minister Domingo Cavallo. "Here, they joke that tbe Plan Real is the Plan Cavallo written in Portuguese [Brazil's language]." The tabloid *Clarín* warned that winning the elections was the easy part. Mr Cardoso had to push crucial budgetary reforms through congress, it said, or "Brazil would once again become ungovernable".

in a separate article, Clarín contrasted the personalities of the presidential frontrunners as a symbol of Brazil's yawning social division. As a child, the academic Cardoso "adored the classics" and studied with a private tutor, while factory worker Lula "ate bread for the first time when he was seven".

Left-wing *Página 12* ran a similar piece contrasting the lives of the bronzed Ipanema beach set with life in a Rio slum, Rocinha. It found much support for the Plan Real in both. "The inhabitants of the biggest shanty town in Latin America were also seduced by tbe new money." In this, it said, lay the secret of Mr Cardoso's likely success.

In Chile, where Mr Cardoso lived for a spell during Brazil's 1964-1985 period of military rule, *El Mercurio*, the country's leading daily, reported Mr Cardoso's increasing lead in opinion polls while the main TV channels concentrated on the pre-election atmosphere.

La Epoca newspaper went into greater detail and pointed out that the two main candidates, Mr Cardoso and Mr da Silva, had the backing of organised political parties. As such, they differed from "outsider" politicians such as Mr Alberto Fujimori, who was elected president of Peru in 1990, or Brazil's Mr Collor, who won the presidency in the previous year without the help of the main political parties.

Angus Foster in São Paulo, David Pilling in Buenos Aires, and Imogen Mark in Santiago

Blair launches 'crusade for change'

By Kevin Brown and Philip Stephens in Blackpool

Tension over Labour's tax plans for the middle classes yesterday undermined Mr Tony Blair's efforts to secure a trouble free conference debut as opposition party leader.

As party officials cleared the way for compromises on minimum wages, women's rights and Northern Ireland, Mr Blair sought to set the tone for the conference in a statement promising a "crusade for change."

His comments came as Mr Gordon Brown, the opposition chancellor, outlined a comprehensive series of measures being considered as part of Labour's industrial regeneration plan.

Mr Brown will also use the opening of today's debate on the economy to underline the party leadership's commitment to modernise the welfare state.

He will signal Labour's plans to integrate the tax and benefit system for pensioners and to use the benefit system to remove work disincentives for the unemployed.

In a series of interviews, Mr Brown played down remarks by Mr John Prescott, the deputy leader, which appeared to signal support for higher taxes for the better off.

He said Mr Prescott's view was in line with Mr Blair, who pledged in his statement that "people who generate ideas, jobs and wealth have nothing to fear from a Labour government." However, Mr Prescott said on an independent television's programme that Labour had given no promises to any groups of voters on taxation.

"What is considered super rich or middle income or low income is a matter of the tax bands. We will make no decision about that until the appropriate time," he said.

Mr Blair's efforts to modernise the party were repeatedly attacked at pre-conference fringe meetings by leftwing activists accusing him of seeking to compete with the Conservatives in running a market economy.

However, the leadership was more embarrassed by disclosures that delegates representing many big unions will be told how to vote by union leaders, undermining the abolition of the union block vote at last year's conference.

Senior party officials were confident that a threatened row over the party's commitment to a minimum wage had been defused by a compromise resolution referring the issue to a commission due to report next year.

The resolution confirms Labour's existing commitment to a legally enforceable national minimum wage pegged to half the level of male median earnings, but meets Mr Blair's concern that the party should avoid specifying a figure.

The ruling national executive committee sought to lay the groundwork for a trouble free week by defusing other potential disputes before the conference starts.

The NEC said that rules on all-women shortlists for parliamentary seats would be enforced with "flexibility," and announced a shift of emphasis on Northern Ireland towards neutrality between the nationalist and unionist traditions.

Senior officials said the leadership was determined to leave behind the debate between modernisers and tradionalists which has characterised the last two years. To reinforce the point, the conference backdrop proclaims a fresh slogan: New Labour, New Britain.

National Grid sale faces tax setback

By Michael Smith

Regional electricity companies could be liable to a tax bill of more than £1bn from their planned flotation of tha National Grid after a potential setback in talks with the Inland Revenue, the tax authority.

The authority has told them it is unable to comment on a scbeme by which they hope to avoid incurring capital gains tax liability as a result of demerging the National Grid, which transmits electricity in England and Wales, from their companies.

Although the regional electricity companies (Recs) are seeking guidance from financial and legal advisers, executives fear that the Revenue's non-committal approach means they may be forced to proceed with the flotation with the tax issue unresolved. At worst it could signal the end of their plans to avoid capital gains tax.

Pressure is growing on the government to extract as large a benefit as possible for taxpayers and consumers from the National Grid flotation. It has been widely criticised for undervaluing the Recs when it privatised them four years ago.

The National Grid flotation is bound to increase the criticism as the company was valued at just over £1bn in 1990 but is now estimated to be worth at least £4bn.

Theoretically the government could use its golden share in each of the Recs to extract windfall payments after the flotation, but its free market principles means it is highly unlikely to do so. It would prefer the Recs to cut power bills voluntarily. The imposition of capital gains tax would be another way of reducing criticism.

The Inland Revenue's remarks, in a letter to the Recs, follow several months of talks.

The Recs' proposal, through which tbe National Grid would be demerged through an issue of shares in the transmissiou company to existing Rec shareholders, is the second to be made to the Inland Revenue. The first was rejected outright.

A carrot and stick policy

By Philip Stephens

Mr Gordon Brown calls it the "New Economics". It is not naw. But for the opposition Labour party the approach certainly is different.

Last week saw the shadow chancellor join Mr Tony Blair in ditching the party's traditional assumption that higher spending and taxes would solve the economy's problems.

Neither man will produce detailed tax tables this far ahead of a general election. But apart from the "undeserving rich" (no one is quite sure who they are, though the bosses of the newly privatised utilities seem one obvious choice), Mr Brown's message is that the nation's taxpayers can sleep soundly.

Convinced that the break with the past has been made, Mr Brown wants to move on to a more positive agenda – explaining what Labour would do rather than what it will not.

The thread running through his efforts to present a credible strategy at the next general election is the diagnosis that underinvestment is the key to the UK's economic weakness.

In an interview with the FT on the eve of today's conference debate on the economy, Mr Brown offered Labour's answer: a framework for the economy in which the productive base would be rebuilt by a government working with, rather than against, the private sector.

The idea that Britain has too long lived for the short-term is hardly novel. Politicians and economists have spent much of the past 30 years telling us of the dangers of preferring today's consumption to tomorrow's investment.

Nor is there anything new about the idea that the nation's education system is no match for that of the Japanese or the Germans; or that British companies often prefer hefty dividend payments to long-term expansion programmes.

What has changed is Labour's prescription. State direction and ownership, like high spending and punitiva taxes, Mr Brown insists, are no longer part of Labour's agenda.

The message he wants the voters – and business – to take came in the first sentence of the interview: "I think the key thing is for people to understand that Labour is setting aside the old conflicts between the public and private sectors. We see a partnership that is essential to the regeneration for the economy."

The Tories bave failed because they have presided over an ever-shrinking productive base. For the same reason Labour could not solve the problems by pumping up demand. It would hit the same capacity constraints. The supply-side rules in Mr Brown's "New Economics".

The shadow chancellor is not offering a blueprint for the promised transformation. The details of proposals to expand training, change the culture of short-termism in the City and raise the level of industrial investment must await tbe deliberations of party's Economic Commission.

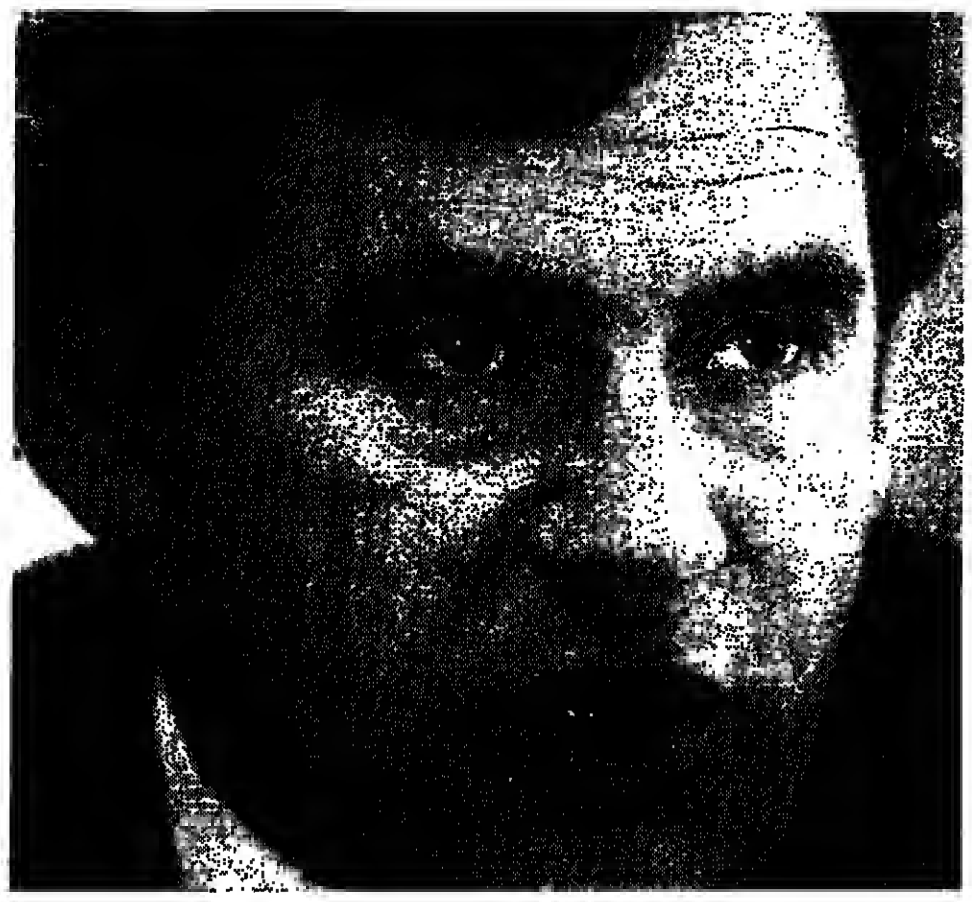
But he outlines the main elements of what amount to a series of carrots and sticks to influence industry: "We are looking at the merits of an employer rebate/levy scheme to encourage training. We are looking at how we can regear industrial and regional incentives so that they have a far bigger component for investment in skills. We are looking at the idea of individual training accounts and at major reform of National Insurance in terms of the benefits people could expect for the same contributions."

There is more: a university for industry, the 1990s equivalent of the Open University, to encourage the development of skills; and the possibility of tax incentives to encourage pension funds and companies to enter into voluntary long-term investment arrangements which would ease the pressure to maximise dividends.

Labour would tighten competition policy by introducing public interest criteria for mergers and takeovers. It might form a development bank to help small companies.

It is easy to spot the sticks and carrots. Employers would have to pay the training levy. Rebates would depend on their performance in improving skills. The system would "encourage people to do what they would otherwise consider doing themselves. It stops the good firms being undermined by the bad so there is a case for intervention".

Alongside this is the carrot provided by a plan to use the National Insurance system to provide individuals with training credits – credits which could be drawn while in work as well as between jobs.



Ashley Ashwood

Gordon Brown: 'Labour is setting aside the old conflicts between the public and private sectors'

First British university abroad to open in Thailand

By John Authers

Work has begun in Thailand on the first British university to be built outside the UK. It will be staffed by British academics and award degrees validated by parent universities in the UK.

Ministers hope that the project, led by tha Department of Trade and Industry's education and training group, will be the first of several British universities throughout the Pacific rim and the Middle East, following the model of international American universities.

Baroness Perry, leader of the group which was set up a year ago in an attempt to boost UK educational exports, said the project was needed to co-ordinate exports by British universities and to reverse inroads made in the market by higher education institutions from Germany, the US and Australia.

All funding for the university is coming from Thai financiers. It will be a private institution with local people paying for tuition.

Mr Richard Needham, trade minister, said there was scope for similar initiatives elsewhere in the Pacific rim, as several nations, including Korea and Taiwan, have a shortage of university places compared with the numbers who graduate from secondary school.

The DTI group also aims to expand British higher education into Latin America, where it has so far made few inroads.

"A British degree has international currency, and Thai people will be more than willing to pay for it," said Lady Perry.

The university in Thailand aims to accept its first students in October 1996 and eventually will cater for around 10,000.

Two campus sites have been designated. One will specialise in finance and economics and the other will concentrate on engineering and technology, reflecting the current needs of the local economy.

The project hopes to win final approval from the Thai government next July once details on the appointment of administrators and lecturers have been settled.

Several British universities are already active in the Pacific rim, although this is the most ambitious project to date. For example Warwick University has separate manufacturing departments in Hong Kong and Kuala Lumpur and plans to offer accounting and finance courses from Shanghai.

Britain in brief

Sinn Fein leader in Washington

Mr Gerry Adams, president of Sinn Fein, the IRA's political wing, is due to arrive in Washington from Philadephia today, but with the prospect of only limited access to US administration officials.

He is likely to meet Ms Nancy Soderberg, of tbe national security council staff, at a social event tonight, according to the White House and British embassy. It was not clear if he would meet Mr Anthony Lake, the national secnrity adviser, at that or another function.

Ms Dee Dee Myers, White House press secretary, made it clear last week that Mr Adams wonld not visit the White House itself, which should rule ont any "drop in" meeting, however brief, with President Bill Clintoo or vice president Al Gore. He is to expected to meet lower-ranking officials at the state department.

Also on Mr Adams's Washington schedule are speeches hosted by the Council on Foreign Relations and the National Press Club before he flies to California midweek.

His exposure on US national media in the past week has been much more limited than in February, the occasion of his first visit.

Coalfield boosted by power deal

National Power, the UK's largest electricity generator, has signed a contract to buy Welsh coal for 10 years in what is thought to be the UK's longest-lasting coal contract.

National Power has agreed conditionally to buy from next year 1.5m tonnes of coal a year for 10 years from Ryan Group. Ryan is one of at least seven companies to have submitted tenders for the South Wales coal region and the deal is conditional on the company winning its bid.

The move is a fillip for the industry as it enters the final stages of privatisation. The government is expected to decide this month which companies are to take over British Coal's assets later this year.

Peat Marwick plans to float audit arm

Britain's second biggest accountancy partnership said yesterday it would publish full financial results if its clients backed a plan to incorporate its audit practice.

KPMG Peat Marwick confirmed that it is to consult with clients, investors, and regulators with a view to creating a limited company to andit its public limited company clients.

Other options, including the incorporation of the whole business, were dismissed at a board meeting last week. The firm audits one fifth of all the UK's listed companies.

If incorporation goes ahead it would be the first such venture in a leading accounting firm. Publication of results would also be a first, except for a brief attempt in 1979 by Arthur Andersen, which was not repeated.

Investors urged to check advisers

Investors seeking independent financial advice should check that their adviser is still authorised, the new financial services industry regulator warned yesterday.

At least 13 firms have had their authorisation revoked for failing to meet the midnight Friday deadline for applications to join the Personal Investment Authority, which is replacing Fimbra as the main regulator for independent financial advisers.

Shell turns the tide on its sea of paper

Shell UK will today move to save motorists from drowning in a sea of paper every time they buy fuel by announcing a scheme to replace trading stamps and tokens with "smart cards".

Shell Smart will be the first nationwide scheme to use such cards and it hopes to distribnte np to 3.5m throughont the UK.

Customers will be able to claim a point for every £6 they spend on fuel which can be exchanged for gifts, donations to charity and air miles.

OFT to speak on underwriting fees

The Office of Fair Trading has decided to publish a controversial report on fixed underwriting commissions which leading City investment banks and institutional investors bave been lobbying hard to shelve.

The report, commissioned by the OFT and conducted by Professor Paul Marsh of the London Business School, concludes that securities firms and fund managers earn excessive profits on their standing fee for underwriting equity offerings. The report says that the two per cent fixed fee is too high for the risks undertaken.

It is understood the OFT's inquiry is backed by the Treasury, which has been concerned that the cost of raising capital in London is too high and will erode the city's competitiveness.

Double blow for Post Office sell-off

Government plans to privatise the Post Office have been dealt a double blow by Ulster Unionist MPs and Conservative constituency chairmen.

With the cabinet set shortly to decide whether to proceed with the sale of 51 per cent of the Royal Mail, the nine Ulster Unionist MPs at Westminster have sent a formal submission to Mr Michael Heseltine, the trade and industry secretary, saying they oppose the move.

A poll of Tory constituency chairmen bas indicated that even these party loyalists favour keeping the Post Office in the pnblic sector – with greater commercial freedom.

CRACKDOWN ON CRIMINAL TRADING

Inside out: the Stock Exchange goes on crusade

Robert Peston goes on campaign with the squad that aims to make sure all deals are above board

A crusade is being launched by Mr Michael Lawrence, the London Stock Exchange's chief executive, to make the market safer for investors who do not have inside information. He is taking a series of measures to ensure that anyone buying and selling shares through a London securities house will not be severely disadvantaged if he or she has access only to published information.

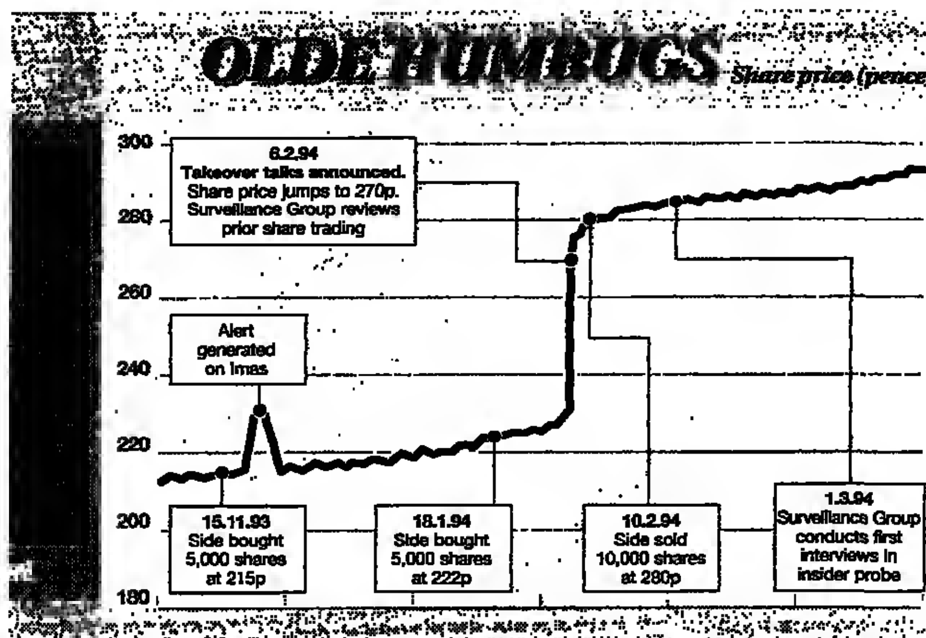
"The lack of certainty in the market [which makes it difficult for an investor to make a rational investment decision] damages our reputation," he said. "I want us to do all we can to ensure that the market is orderly."

Part of the way to achieve that, he believes, is for the exchange to be doubly vigilant in its attempt to detect and investigate possible insider traders, or those who make illegal profits from trading in shares when in possession of confidential price-sensitive information. But Mr Lawrence admited: "There is a limit to what we can do. We investigate, but it's up to the Department of Trade and Industry to decide whether to prosecute". in the 14 years since insider trading became illegal in the UK, there have been just 23 successful prosecutions and only two in the past two years. Part of the reason for this record is widely believed to lie in the criminal, as opposed to civil, nature of the misdemeanour. The burden of proving beyond any reasonable donbt, as is required in a criminal case, that someone possessed inside information when dealing – and then proving that the motive for the transaction was to profit from that information and that there was no other motive – has frequently proved impossible.

Only the government can dacide whether to introduce a new civil law, with a lower burden of proof, to cover insider trading. But although the exchange cannot change the law, it is not immune from the effects of the current one. Mr Lawrence said: "My concern is that the exchange itself is brought into disrepute if there is not enough punishment." All be can do for now is to improve the exchange's own detection and investigation procedures, so as to expose as many insider traders as possible. "We do not want to have an image of London as a place where insiders can trade easily and get away with it," be said.

To provide an insight into the exchange's role in the battle against insider trading, the articles below include a genuine insider-trading case – heavily disguised with the names and dates changed because the investigation is still "live" – and a detailed account of the operations of the exchange's Surveillance Group, responsible for detecting and investigating any criminal activity linked to share trading.

Surveillance knights ride into battle to secure fair fight for all investors



1.1 On February 6 1994, Olde Humbugs, the manufacturer of traditional English confectionery, put out a statement that it was in talks with International Cbocolate Bars (ICB), the Swiss-based foods multinational, which were likely to lead to a merger of the two companies.

1.2 Following the announcement, Olde Humbug's share price jumped 40p to 270p. At the beginning of the year, the price had been 220p.

1.3 The Surveillance Gronp initiated a review of trading in Olde Humbug's shares as it had been seen that there were a series of large transactions ahead of the announcement.

A substantial numher of trades had come from Scottish-based individuals and had taken place through an Edinhurgh stockhroking firm, McNose and Partners. These transactions, most of them purchases, seemed anomalous, since McNose had rarely in the past dealt in Olde Humhugs shares.

1.4 The biggest purchases, worth £10m in aggregate, were carried out hy McNose for two clients, Banque internationale de Bruxelles, a Brussels-based bank, and Mr Peter Punter, a well-known and successful private investor.

The investigation

2.1 The department approached the Takeover Panel for information, given in strictest confidence, about bow long talks had been in progress between ICB and Olde Humhugs. The two companies were also asked to supply timetables of the events leading up to the announcement and wbo had been aware of the negotiations.

2.2 Both companies agreed that the first significant event took place on November 14 1993 when the chairmen of the two companies, Mr Ronald Chattie (Olde Humbugs) and Mr Dieter Aufgang (ICB) met to explore the issue of a possihle merger.

2.3 On Marcb 1, Chattie and Aufgang were interviewed separately at the exchange. Both were taped. During the interviews, the names of those identified at that date as having dealt prior to the merger announcement were given to them, hnt none was known to either. They agreed to carry out checks with their personnel records and suppliers.

2.4 The department carried out a more extensive review of transactions in hoth companies' shares. On March 3 it establisbed that Mr Ewan Side, an Olde Humhug executive, had dealt in his company's shares as follows:

- November 15 1993, bought 5,000 shares at 215p;
- January 18 1994, hought 5,000 shares at 222p;
- February 10 1994, sold 10,000 shares at 280p.

2.5 Although not a member of the Olde Humbugs board, he was aware of the merger talks because of his role as corporate strategist.

2.6 On March 10 two exchange investigators met Chattie and Ron Desktop, his finance director, at Olde Humbug's offices in Leicester. The purpose of the meeting was to find out the nature of Side's involvement in the talks with ICB.

Chattie said Sida as corporate strategist was kept closely informed of the talks with ICB and was present at several of the negotiating meetings. He recalled that in early December he warned Side not to buy any shares. Side had not heen brougbt onside (made an insider) in any other transaction as this was the first time the company had heen in merger discussions. Chattie said he did not feel uncomfortable about discussing the business with him.

How a real – but very heavily disguised – series of deals is being investigated

Chattie had also checked the company's records against the names of Olde Humbugs share purchasers mentioned at the original meeting in the exchange. He had found that Bernard Arrowroot of Gumme Group was a supplier to Arthur Crystal of Sugar Products which in turn was a supplier to Olde Humhugs. Arrowroot had purchased 10,000 Olde Humhug shares in January.

Chattie said that he knew that Side and Crystal were friends and had been sbooting together in December.

2.6 Owing to the senior position of Side within the company and the information supplied by Chattie, it was felt necessary to interview Side at the earliest opportunity. It was therefore decided to interview him the next morning.

2.7 On March 11 at 09.05, two exchange investigators met Side at Olde Humbug's offices. They explained the purpose of wanting to speak to him and that he might wish to consider speaking to his sollcitor before continuing. Sida left at 9.16, returned at 9.25 and informed them that his solicitor would be attending any interview.

At 10.11 Side returned and introduced his solicitor, who said he had advised his client to co-operate fully. At 10.15 the interview, which was taped, commenced. Following introductions, Sida was cautioned. The first tape ended at 10.45. The second tape commenced at 10.46 and concluded at 11.01.

Side confirmed that he had dealt in Olde Humbug's shares as identified by the surveillance department. He denied being told of the bid approach prior to his purchase of 5,000 shares on November 15. The reason given for the purchase was that Crystal, an old friend, had recently joined Sugar Products and he hoped that they would ba able to work together in developing and expanding commercial links between the two companies.

Side admitted that the purchase on 18 January of 5,000 shares at 14.14 was prompted hy his being told by Chattie that a deal with ICB was likely. He said he did not know if the information was puhlic.

He denied discussing the bid talks with anyone outside the company. He confirmed he had been shooting with Crystal in December. The names of other people who had dealt were pnt to him. He said Punter had heen in the same shooting party as Crystal and himself, although they had not previously heen acquainted and they talked little during the weekend.

Side said the deals were tiny in comparison to his portfolio of £3m invested in the stockmarket. At the end of the interview, he was handed a notice explaining how he could get access to the tapes. His solicitors were supplied with a copy of the tapes on April 10.

2.8 In the light of Side's admission that he had hought because of the information he had ohtained from Chattie, it was decided to attempt to establish the conduit of any other information to the suspicious dealers in Scotland and also in particular to Punter and Banque Internationale de Bruxelles.

The department then wrote to the Belgian bank asking for whom it had bought the Olde Humhugs shares. The bank snpplied the name of a Liechtenstein-based *stiftung* or trust. A letter was sent to the trust requesting details of its beneficiary.

2.9 An apparent link from Olde Humbug to Punter was Crystal, who agreed to be met at a hotel in Glasgow on April 5. He was interviewed there at 4.15. He confirmed he knew Side both socially and through business. He said he was not told that Olde Humbug was considering merging with ICB. Crystal freely admitted that he recommends ICB's shares as he thinks it is a good business, but he was adamant he had not heard about any merger activity. He confirmed that Arrowroot of Gumme was one of his more important suppliers.

He was also asked if he had heard of Punter. He said he knew him and dealt with him on business matters. He described him as someone who would buy and sell anything. He knows that Punter is very active on the stockmarket as every time he goes to Punter's office he is always on the telephone to his hroker. Punter is well aware of Crystal's relationship with Olde Humbug and frequently asks how the company is doing. Crystal has recommended Olde Humbug's shares to Punter.

2.10 On April 15, Chattie telephoned the department to say that he had become convinced that Side had hreached his trust. During this conversation it was established that Side had resigned following advice from his lawyer.

Conclusion

3.1 There is evidence of insider dealing by Side and consideration should be given to referring this matter to the DTI. The large transactions by the various connected dealers in Scotland and those of tbe Liechtenstein trust may also be of interest. Punter has been interviewed by this department on previous occasions. No attempt has been made to interview him this time.

Tony Andrews

Holding the fort: exchange chief executive Michael Lawrence who is oot to stop insider trading

A click of the mouse is all it takes to track the share raiders

The stockmarket's Big Brother, watcher of every share deal carried out in London for signs of criminal activity, lives in a seedy suite of rooms on the fourth floor of tbe Stock Exchange's dirty grey tower in the City.

If it were not for the presence of some spanking new computer hardware, it could be the set of the 70s cop show *The Sweeney*, all plywood chairs and threadbare synthetic multicoloured carpeting.

These are the offices of the 19 members of the Surveillance Group, wbose role is to identify possible insider deals, market manipulation or other criminal activity involving share trading and also to carry out investigations, which can last up to three months.

The task of identifying possible insider deals has always been mind-boggling because of the vast number of share price movements or transactions which have to be examined every day for possible breaches of trading rules as well criminal activity. On a typical day, the exchange scrutinises between 1,000 and 1,200 such trading "events".

Inevitably, many of the cleverest insider dealers are not caught. But the integrated Monitoring and Surveillance System (Imas), a computerised tool the exchange bas been using since the end of last year, has made it barder for insiders to hide.

According to unpublished figures, the exchange's surveillance group opened 101 cases for investigation in tbe first seven months of the year, of whicb 75 were into alleged insider trading. That compares with 100 investigations in the whole of last year including 57 insider probes. However, in the nins months to date, 18 insider trading case files have heen passed to other agencies such as the Department of Trade and Industry, the Securities and Futures Authority and the Takeover Panel for further investigation – compared with 15 in the whole of 1993.

The DTI, which has the power to launch its own insider dealing investigations under the Financial Services Act and also decides whether to prosecute, has received 10 referrals from the exchange so far this year. It received seven in the whole of last year.

The rise in the surveillance group's investigation tally reflects improvements in the detection rate, not in the incidence of the offence, the exchange believes. The surveillance group, headed by Mr Mike Feltham, was hampered for many years by slow and cumbersome methods for obtaining basic share trading information from a variety of sources within the exchange. It could frequently take a fortnight to collate and analyse all the relevant data.

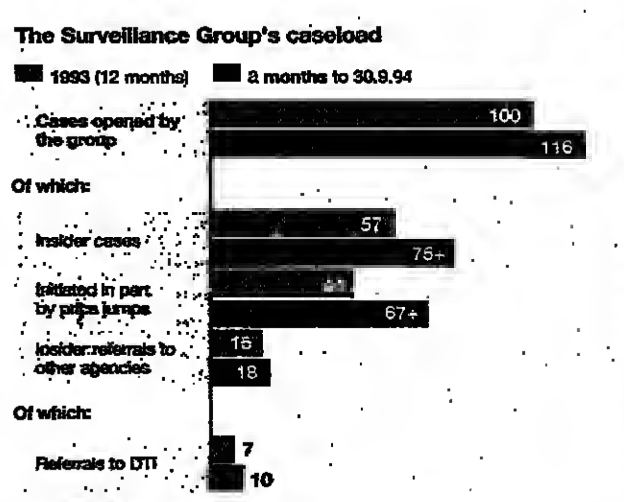
One effect of Imas has been to improve the quality of the analysis of trading information, since the raw data and the trends can all be seen on the same screen. At the click of a mouse, it provides:

- Tbe time of all transactions in any UK shares;
- The name of the broker or marketmaker who carried out the deals;
- The coded names of the clients who placed the orders;
- A great variety of graphical information whicb allowa trading patterns to be identified.

Its more important benefit is that it has compressed the process of identifying sinister trading patterns and who is bebind tbem from weeks to hours. "The element of surprise is vital in ohtaining a confession from an insider trader", said one former member of the department. That requires the suspect to be interviewed soon after the alleged offence took place. The more time that elapses before this interview, the greater the risk that he or she will be tipped off that a probe has commenced and will concoct an apparently legitimate reason for trading.

Market watching

The Surveillance Group's caseload



Sources: Stock Exchange, DTI

Insider dealing prosecutions

	NUMBER OF TRIALS	NOT GUILTY	GUILTY
1980	—	—	—
1981	1	—	1
1982	2	—	2
1983	—	—	—
1984	2	2	—
1985	1	1	—
1986	2	1	1
1987	2	—	2
1988	2	1	1
1989	7	7	3
1990	4	2	3
1991	4	5	3
1992	2	2	4
*1993	4	7	—
1994	1	—	2

Not guilty verdicts include prosecutions where case against a defendant was windrawn

* figures include one individual acquitted on appeal in 1994

A recent example of tbe speed with whicb the group can now complete its probes was the case of alleged insider trading involving Lord Archer. After the media group, MAI, made a takeover bid for Anglia Television in mid January this year, the group carried out – as a matter of routine – an analysis of Anglia share deals in the preceding weeks.

Within three days it had compiled a case file on the best-selling novelist's orders to purchase 50,000 Anglia shares. It passed the file to the DTI, which investigated the affair for five months before deciding not to prosecute him.

The surveillance group typically measures its performance by reference to its counterpart at the New York Stock Exchange, whose international reputation in fighting insider trading is prohahly stronger. But Imas is in ona important respect superior. The NYSE does not have any electronic access to information on investors who place share orders. Its computers sbow only the securities firms whicb have carried out the deals on investors' behalf. So the NYSE has to telephone the firms to get any investor details, which brings with it the risk that the firm will tip off the probe target.

The group in London cannot obtain from Imas the names of investors behind deals. But eacb investor is given a code by every broking firm which is a member of the exchange, and Imas supplies thsse coded names. This allows the group to establish trading patterns and possible links between transactions without having to make any telephone calls.

Tbe Imas information is not comprehensive, however. The group can match full names to codes for only a limited number of investors, since there are millions of different codes. It will frequently have to ring a broker in the end to establish who placed a share order.

Another significant omission from Imas – and indeed from any electronic information source in the exchange – is details of the enormous equity exposures taken on by securities houses and their clients in the over-the-counter derivatives market. These OTC positions can on occasion be the dominant influence on a company's share price. But at the momsnt only tbe Securities and Futures Authority collects detailed information on these deals – which it passes to the group in response to requests.

Given tbe importance of price movements in generating probes – 67 of the investigations in the first seven months of the year were to an extent initiated by price "jumps" – lack of access to derivatives market information is quite a handicap.

As well as being a database and analytical tool, Imas is an early warning system. It produces "alerts" every time there is an unusual price jump, or a snhstantial transaction, or unorthodox pricing hy market makers – the wholesalers of shares – or an apparent breach of the exchange's rules on the reporting of transactions.

These alerts are initially scrutinised by the market supervision department, which is responsible for making sure that trading rules are followed by exchange members and that dealing remains "orderly" or not excessively volatile. But when it detects possible criminal activity, the surveillance team takes over.

The 19-strong team is split roughly down the middle between the intelligence gatherers, who operate Imas and collect information from other sources, and investigators who conduct interviews of suspects and witnesses.

The intuition and experience of the intelligence gatherers, led by Mr Alan Wilson, plays an important role in deciding which transactions should be passed to the investigators for further scrutiny.

For example, substantial purchases of an FT-SE company's shares prior to a price-sensitive announcement would probably not be considered sinister if they had been carried ont through a big securities house, such as Warburg Securities, since Warburg is carrying out substantial deals continually.

However the group would almost certainly conduct further enquiries if a minor Scottisb broker, wbose typical deals are small, were shown by Imas as a substantial purcbaser of that company's shares.

There is a split betwean those team members who think that its most valuable tool is human intuition and those who place more of their faith in computerised analysis. This battle may take a decisive turn in the coming months with the integration of new computer software into Imas.

A prototype system, based on advanced artificial intelligence programmes developed for the exchange hy University College, London, has been able to identify links between different share traders which were hitherto impossihle to establish. The model has for example uncovered possible concert parties consisting of up to 15 different clients of a series of securities firms, hy noticing that groups of the 15 almost always trade in the same securities at the same time, even if all 15 rarely trade together.

But establishing who traded in any particular case is only half of what the group does. Before passing a dossier to the exchange, it needs to gather evidence of why investors carried out particular transactions. Even if trades in a company's shares ahead of an announcement turned out to be hy the company chairman's mother, that would still not be deemed sufficient evidence to pass to the DTI. In most cases, tbe group's investigators would interview the woman to ask her why she traded.

In around 70 per cent of the cases where the beneficiary of a suspicious transaction is identified, he or she will be interviewed. "It is tbe exchange's job to try to establisb whether information was passed and how it was passed", said a former official.

Again this is very different from the NYSE, which never talks to any outsiders. It passes only trading data to the Securities and Exchange Commission, which then takes responsibility for all furtber investigation including interviews.

The exchange's investigators behave very much like policemen. They are trained in interviewing techniques and how to obtain testimony admissible in court. Frequently they will caution interviewees, using the standard form of words employed hy the police.

Unlike the police, however, they very rarely meet an overtly hostile response from interviewees. The investigators opening gambit of "I am from the Stock Exchange and I have come to ask you about some share deals you carried out" is frequently met with at least a partial confession, according to past and present officials.

However, evidence is far more difficult to obtain once any transaction is routed througb offshore financial centres. Switzerland is now co-operating to an extent with UK insider dealing investigations and providing some details of the beneficiaries of shars trades carried out hy Swiss banks.

But it remains almost impossible to establisb the identity of anyone trading thougb a nominee company in the Cayman Islands or the British Virgin Islands.

Some brokers and fund managers quastion why tbs exchange should invest so much time and mooey investigating insider trading, giveo tbat obtaining a successful prosecution appears so difficult. One fund manager said: "The exchange is pretty good at investigating, but to what end? Sometimes I think someone should do a cost benefit analysis on their surveillance unit. Is it really worth tbe cost?"

The exchange's reply is that deterrence is not just about putting people in prison or fining them heavily. One official said: "You would be surprised how often executives mysteriously resign from their companies after the surveillance group has conducted a probe."

FINANCIAL TIMES SURVEY

Environmental issues: code of practice published: Page III

BUILDING SERVICES

Air conditioning: attitudes are changing: Page IV

Monday October 3 1994

Consumers have been reluctant to pay the price for efficient service systems. But there are indications that the tide may be turning. **David Lawson** reports

Green conundrum for the experts

Two groups of experts sitting down today at opposite ends of the UK will be trying to solve the same conundrum.

If so much store needs to be placed on cutting costs and saving the environment why is there so little interest in more efficient, "greener" buildings?

In Brighton, more than 50 construction professionals at the annual Chartered Institution of Building Services Engineers' annual conference will be exploring why low-energy buildings are so rare. Meanwhile, in Lancashire builders will be meeting for an update on the fortunes of the National Home Energy Rating Scheme.

One common factor is almost bound to emerge. Consumers are relnctant to pay the price for future savings. Efficient systems for handling heating, lighting, ventilation and the myriad other functions that keep commercial buildings ticking over cost more.

Occupiers dislike service charges but refuse to accept the higher rents or construction costs necessary to cut them. Homebnyers are little different, opting for cheaper houses rather than those with better insulation and materials.

But the tide may be turning. The government is committed to a 20 per cent reduction in carbon dioxide emissions by the year 2005. Buildings in the UK produce half the carbon dioxide pollution, and will be regulated more rigorously when new construction regulations come into force next April.

VAT charges on fuel will make homebuyers more sensitive to running costs. But commercial users are already aware of an energy bill which has soared past £20bn a year for UK buildings and threatens to go further if the expected carbon tax emerges later this decade.

Other worries are also crowding in. Modern buildings have begun to demonstrate frightening side-effects. Electronics adopted to save costs appear to require expensive servicing. Staff fall sick for no apparent reason, and even passers-by can be struck down by invisible bugs.

Security takes on e new dimension. It must combat not only bomb threats in the City of London but burglars bungry for desk-top computers. Even hospitals now have to consider elaborate alarms to protect new-born babies. Fire safety is another problem in sealed office blocks and shopping malls.

Overlaying all this is a drive to cut costs as businesses drag themselves out of recession. While energy-saving is the main driving force, this combination of factors has brought the whole range of building services into prominence.

This is a leading industry worth more than £8.9bn in 1992: 20 per cent of the total construction contractors' output, according to the Building Services Research and Information Association. Mechanical and electrical engineering alone was estimated at almost £7.5bn last year.

Many occupiers facing the task of trimming spending would be surprised to discover the number of activities quietly going on in the background to keep their building working. An average 10,000 sq ft office block costs more than £60,000 a year to maintain, according to the annual Office Service Charge Analysis (Oscar) of property consultants Jones Lang Wootton (JLW). The cost includes energy, security, heating, air conditioning maintenance, management, cleaning, repairs, wages, lifts, insurance and water.

It does not include buildings insurance and applies only to common parts covered by landlords. Tenants pay extra for their own cleaning, lighting and other services.

The lion's share goes on energy (£1.20 a sq ft) and heating/air conditioning (£1.05), one reason why a fierce debate now rages over the energy bill. A non-air-conditioned block costs 30 per cent less to run than a block with air conditioning (£4.16 a sq ft instead of £6.03p), according to JLW.

Much of the debate in Brighton will centre on why air conditioning has become almost universal over the past decade. Engineers blame this on developers, who pass the buck to estate agents, who in turn insist this is what occupiers demand.

The same chain of blame applies to electrical services. Designers vastly overestimated the needs of modern technology during the 1980s, producing over-expensive buildings equipped with air systems capable of extracting vast amounts of heat from electronics and heavyweight electrical systems to power them.

Many occupiers are paying a premium for ventilation systems that run below capacity – and therefore inefficiently – plus extra charges to electricity suppliers for not using up their contracted loads.

Service engineers say this is partly because of their lack of status. "We should be brought in earlier to advise on what is really required in buildings," says Mr David Lush, a consultant with Ove Arup and former president of the Chartered Institution of Building Services Engineers (CIBSE).

Air conditioning is now under scrutiny, however. Manufacturers insist that it is still necessary in town centres, where noise and dirt preclude opening windows. They are producing systems which are both "greener" and more efficient. Chlorofluorocarbons will soon disappear and blanket use of full-blown variable air volume (VAV) systems is giving way to partial air conditioning.

The manufacturers have one eye over their shoulder on the government. Air conditioning only escaped rigorous controls in next year's reforms of building regulations because ministers were persuaded the controls would be unworkable.

It had been suggested that builders justify every system with evidence from occupiers that such technology was essential. They argued that buildings were usually constructed long before anyone knew who would occupy them.

But the pressure for reform remains intense. The government expects a more practicable solution and the British Property Federation and CIBSE are trying to create either an energy scoring system or an environmental "sbopping list" that can be applied to commercial buildings.

Other pressures are coming from Brussels, where the European Union is pouring out a stream of directives. "The problem is that we are not being consulted," says Mr Kenneth Dale, president of REHVA, the Federation of European Heating and Air Conditioning Associations. One rule demanding that every electrical item had to be checked every year had to be revoked after service engineers showed the crippling cost of such a task.

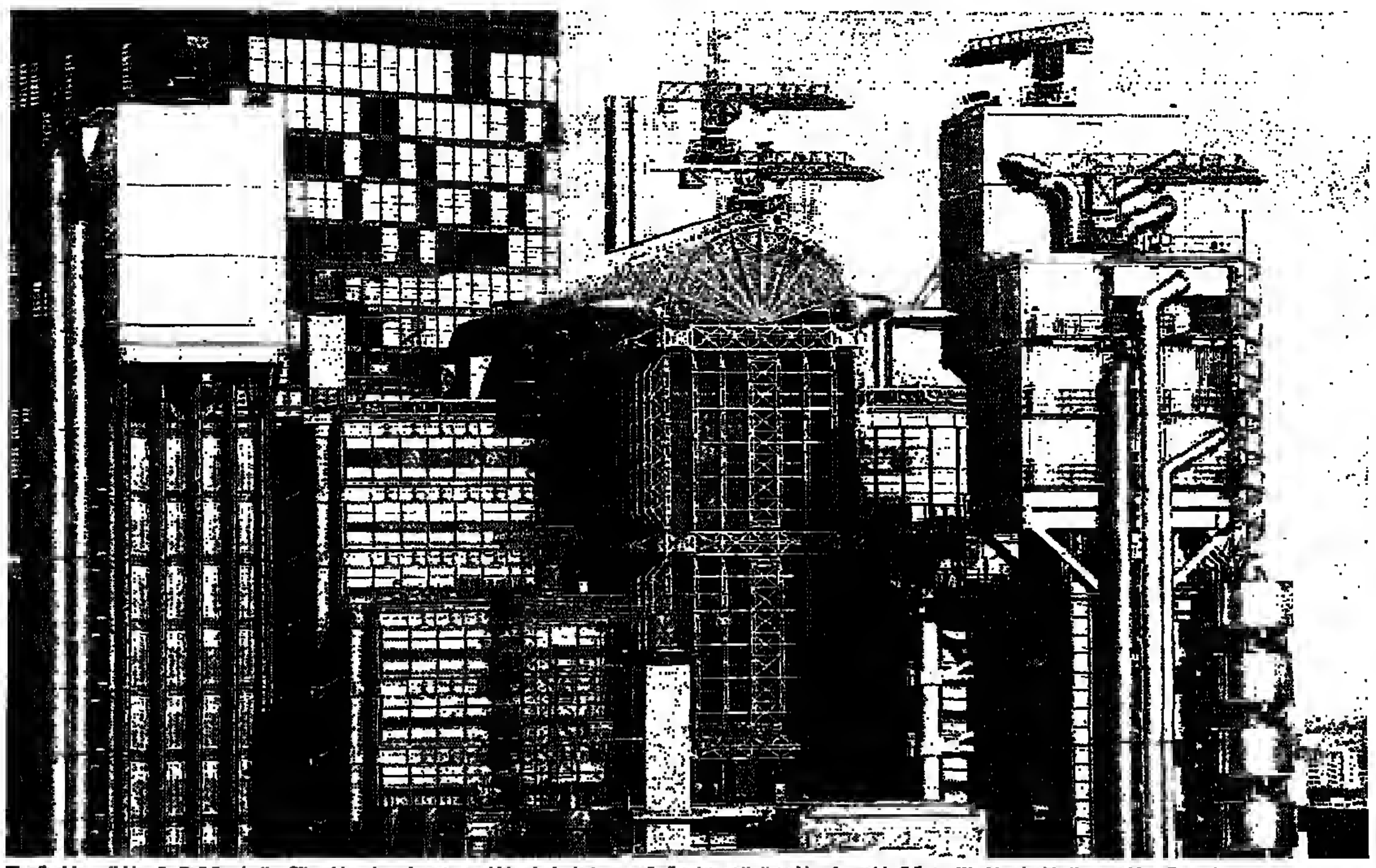
Little bard evidence has emerged that changes are taking place on the ground – mainly because so few buildings have gone up during the recession. But some promising signs are looming on the borizon.

Shell-and-core techniques are creeping in, where developers wait for a tenant before putting in all the services. This gives engineers a better chance of influencing decisions.

Developers have always claimed that occupiers demand to see finished buildings – even if that means expensive replacement of unsuitable services later. But Coca-Cola has made an early claim on an unfinished 80,000 sq ft block in Hammersmith because it saved having to throw out the developers' fittings and gave better control over the end product, said Mr Stephen Watkins, the company's property services manager.

This technique, common in other parts of the world, will become more common, says Mr Chris Hiatt of JLW, particularly as computer advances allow agents to take potential occupiers around "virtual reality" buildings rather than

Continned on Page II



The 'inside-out' Lloyd's Building in the City of London gives s good idead of what normally lies beneath the skin of most buildings. Working inside the machine: Page 4 Picture: Trevor Humphries

ENERGY SAVING

Awareness is spreading

Energy saving has taken on a significance akin to the hunt for the holy grail. This has less to do with the semi-religious frenzy over global warming, however, than the grinding weight of economic recession.

During the cost-cutting induced by falling profits, occupiers began to realise how much they were paying to beat the surrounding neighbourhood.

Despite mnltiple oil-price shocks, many were still living in the era of cheap fuel. Luckily, energy-saving has proved a lot more attainable than the mythical grail.

The campaign to curb air conditioning, dealt with elsewhere in this survey, has made headlines. Yet supporters claim that it accounts for less than 4 per cent of the energy consumed in commercial buildings and produces less than 1 per cent of the UK output of carbon dioxide.

Choice of air conditioning also applies mainly to new construction. But the bulk of the problem lies with existing buildings, whichever way they are serviced. These are being tackled with a less glamorous, but more productive, campaign of uprating the management of energy systems.

Energy-saving schemes are not new. The Vickers tank plant in Newcastle, for instance, was worked over more than 10 years ago by Ryder Nicklin, architects and engineers. Draught-proofing, integrated energy controls and low-energy ligbting cost £8m but cut bills by 90 per cent to £70,000 a year.

This kind of awareness of energy costs is spreading out of the manufacturing sector, says Ken Ordisb, managing director of ESS Projects.

Groups such as NetWest Bank and Bass Breweries have commissioned energy "audits" of buildings ranging from high street branches to administration blocks, pubs and hotels.

Other factors than the blitz on costs may be helping this change.

The Building Research Establishment (BRE) has created an Environmental Assessment Method (Breeam) for testing tbe "greenness" of buildings, whicb groups such as tbe BBC and London Transport have promised to use.

Just as important, however, is the work the BRE'a Energy Conservation Support Unit (Brecsu) is doing to get such issues discussed at board level.

Occupiers often have the in-house specialists who know the problems, but they do not have the communication skills – or status – to get the message across, says Brecsu. It has persuaded 1,500 top companies to commit themselves to "re-education".

Decisions on energy-saving are filtering down from tbe top, says Mr Ordish. Now his part of tbe industry has to solve problems tbat arose because service engineers were not consulted in the past. "It is often a case of making existing controls work properly," be says.

"If the people who run buildings were consulted earber by mechanical and electrical engineers in the planning of buildings this would not happen."

Privatisation is also having a big impact. Schools and hospitals find that the freedom of opting out of state control also brings the burdens of paying big bills.

Two trusts set up in the Nottingham area, Healthcare and Community, discovered an energy bill of close to £1m on 28 premises ranging from large hospitals to small day centres spread across the city. They also faced a responsibility to match tbe government's request to industry for 15 per cent energy cuts over the next five years.

Phil Winstanley, the energy manager, will be plugging one gap by early involvement with premises now being built. Existing premises will be drawn together into a central building service network under whicb conditions can be remotely monitored by desktop computer or the service engineers' portable lap-tops.

One problem is that two kinds of control equipment are in use – Andover Infinity on larger sites and Satchwell on others.

This is being tackled by more systematic specification in future, but that leaves the task of stitching two existing systems together.

ESS has installed building energy management systems (Bems) which sbould soon be able to integrate control through a CdC data engine. It should also be able to cope if other brands of control equipment are required in future.

Tight budgets mean the cost of installation must be covered by energy savings, and this has already started happening.

The last energy bill came to just over £1m, whicb Mr Winstanley estimates as an 18 per cent cut on two years ago. This sbould fall further as ESS works its way throngh tbe remaining buildings.

Each has been prioritised through an initial monitoring exercise whicb gave ESS a window into the trusts' systems from its base 25 miles away.

Consumption profiles were built up from physical factors and energy use. Payback periods were decided in co-operation with the finance departments on a cost ratio basis.

Struggling with poorly specified or obsolete technology is a common factor. Chesterfield's Saltergate Health Centre had to keep the heating on permanently because parts were impossible to find, running up bills of more than £15,000 a year. But new technology can now cope with this sort of problem.

Fitting Bems saved the centre the equivalent of more than £2,700 in the first 10 montbs, says ESS.

The system is intelligent enough to adjust water heating to different levels according to requirements for each part of the building. It even calculates when to turn on so the temperature is correct at opening time.

Besides a local display board, the controls can be adjusted over the phone by the bealth authority's district energy manager.

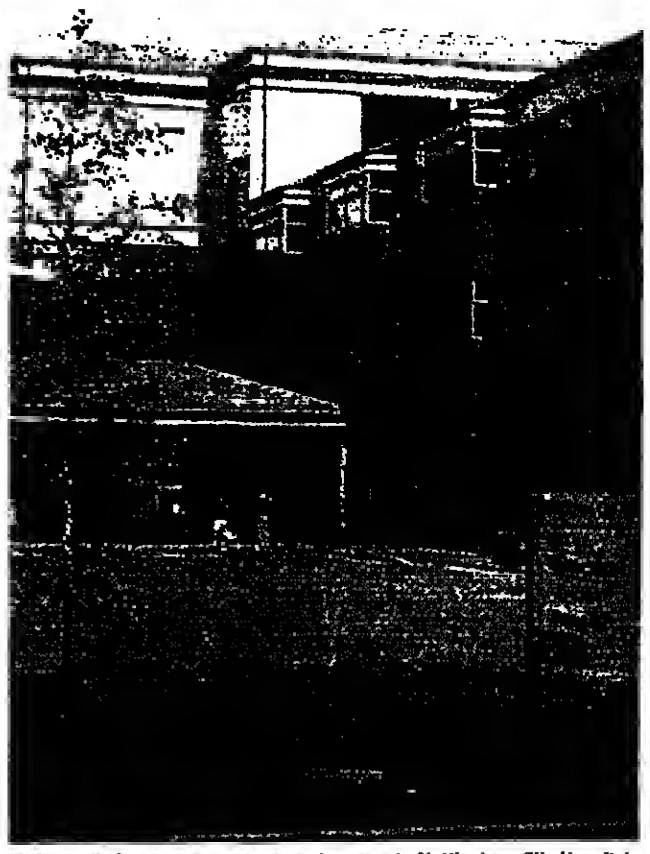
This belped cut costs by 18 per cent last year, wben the older system would bave reacted to the unusually colder weatber by pushing the bill 10 per cent higher.

Monitoring is a crucial part of energy management which is often overlooked, says Mr Ordish. "Settings may be ideal when a building is first occupied but uses – and users – can change."

Many occupiers will have to remember that energy saving is a continuing task involving regular audits to ensure that the systems are working correctly.

Those currently driven by concern for the environment may forget this as fashions change. Then the cycle will come again as recession – or e fuel tax – finds them rediscovering the need for cost-cutting.

David Lawson



ESS supplied an energy management system to Nottingham City Hospital

COST-EFFECTIVENESS

Towards more flexibility

Even the most mundane workplace is cocooned nowadays in a network of wire; data links, several kinds of computer cable, telephone cords and – hiding in this web – electrical power leads.

"Any change of hardware can result in a change to the cabling," says Stephen Hill of Oscar Faber Information and Communications. "And of course no-one knows which are the original ones, so new cable is simply piled into the trunking."

Moving desks can be just as chaotic, as the confusion over what goes where is compounded by the fact that nothing seems to match. A PC cannot use a mainframe terminal wire any more than it can a power lead – as service engineers sometimes find to their cost.

This is no isolated problem. Offices "churn" constantly, moving half their work positions within the first year of occupying a building and up to 30 per cent annually after that, says Mr Hill. More than half require re-cabling, costing np to £400 per person.

One solution has emerged over the past five years, however. Structured wiring schemes (SWS) involve highly specified cabling which can accommodate a wide variety of users. Conversion equipment and special junction boxes mean that people and tbeir computers can be moved around easily and simply. The cabling works for any kind of hardware, so that, too, can be moved or changed. This cuts the cost of churns to £20 per person, says Mr Hill. The extra cost of SWS pays for itself in two or three years.

But what about a mechanical digger waiting to wreak havoc in the road outside? Simple, he says. Lay in a second, standby, connection. "The cost is negligible if provided at an early stage."

One of the main complaints of engineers is that such systems have to be retrofitted because they are not involved early enough in planning services. Developers argue that so much is determined by planners and tightly constrained finance that it is pointless calling on engineers until the detailed services are required.

This is compounded by the strangely British way of completing buildings before anyone knows the specific needs of occupiers. Developers and agents argue tbat tenants will not take premises until they see everything in place. Occupiers then merrily tear out thousands of pounds' worth of fittings to replace with their preferred options – or make the best of services such as cabling and air conditioning that are patently unsuitable.

Some progress has been made towards the US technique of taking buildings only to "shell and core" stage. This means that the frame and cladding are finished but only the main services are installed in the core. Occupiers then specify what they require on the lettable floor areas.

The reason is more to do with a fall-off in speculative development than any change of heart by developers, however. Pre-lets are now the norm, so they are dealing with an occupier who will specify the services needed.

The spin-off is more "appropriate" buildings, says Kevin Cooke, divisional director of cost consultants AYH Partnership.

"We can now get past the agents and their demands for excessive specifications," be says. Power-loading is his particular bugbear. Reducing tbe specification on one 400,000 sq ft scheme in London from 25 to 15 watts per sq metre cut capital spending by £400,000 and maintenance-running costs by £80,000 a year.

Another message getting through to occupiers at this early stage is that buildings should not be judged solely on initial construction prices. Life-cycle costing, which takes into consideration the running and maintenance bills for plant and equipment, has been preached by engineers and surveyors for years. Now they can make a case directly.

Developers remain unconvinced. "We see the looks on people's faces wben presented with bare concrete and pipes," says one. "They want something nice to look at before putting their hand in their pocket – even tbough they know it could all come out later."

But while buildings remain hard to let, developers find they have to pay this double cost of fitting and refitting themselves, so the prospect of more shell-and-core schemes – and "appropriate" servicing – has brightened. Institutional funders are also being won over, as the core services can be matched to their standards even if letting areas are tailored for individual users.

Whether this survives a market recovery remains to be seen. But both funds and occupiers are adjusting to the idea that they should be demanding buildings flexible enougb for tomorrow's tenants – wboever they might be.

David Lawson

A green conundrum for the experts

Continued from Page 1

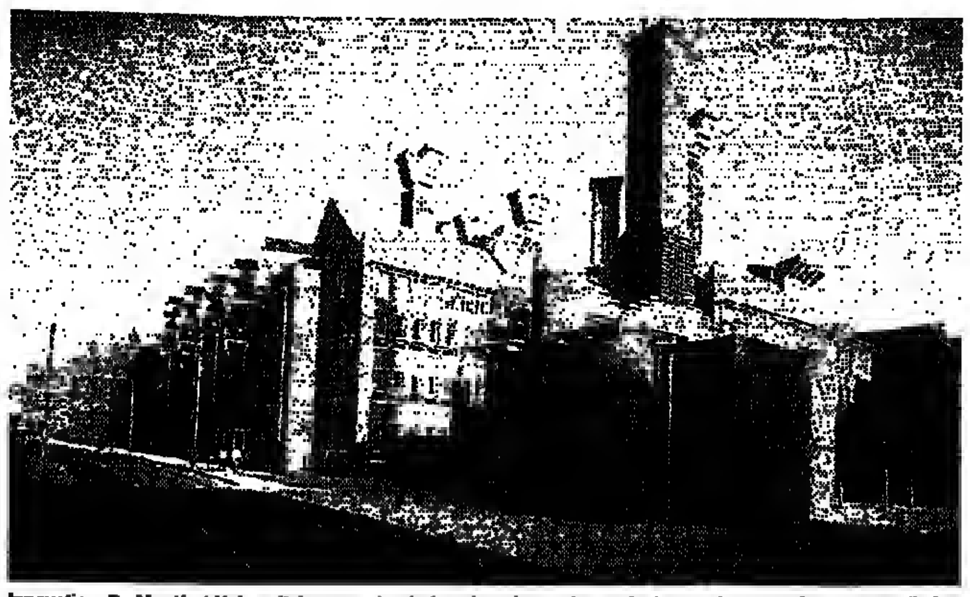
waiting for a finished one.

The most significant pressures for change over the next few years may come from occupiers themselves rather than conferences and regulations. Soaring energy bills, concern over the impact of "sick" buildings on productivity and potential legal responsibility for legionnaires' disease hugs in water systems are all making tenants more aware of the services hidden in their buildings.

Developers such as Norwich Union have taken up the challenge, offering to produce blocks which are both greener and cheaper to run. If occupiers take up the challenge, engineers will welcome it with open arms. In the meantime, they face a long campaign to adjust the vast bulk of existing services either upwards to meet modern demands for efficiency, or downwards from the inflated ideas of the 1980s.

Tim Burt reviews research and innovation

Beware the back burner



Innovation: De Montfort University's new school of engineering and manufacture makes use of natural ventilation

When more than 1,200 opera lovers rose to applaud the first night of *Figaro* at the new Glyndebourne Opera House, few of them paused to consider the triumph of engineering behind the scenes.

The £33m East Sussex auditorium, however, would not have been ready to stage last May's inaugural production had it not been for the use of innovative building services technology.

That expertise, drawn together by consultant engineers Ove Arup, depended in large part on products developed overseas. The cast list of the building'a main equipment suppliers was dominated by international stars snch as Fröling, Weishaupt, Trane, Grundfos and Krantz.

Critics of the UK building services industry argue that contractors favour such prodncts because they represent thousands of hours of research and development – an area which has been comparatively neglected in tbe past in Britain.

"Research and innovation on building services is taken much more seriously in Scandinavia and North America," says Dr Leslie Hawkins, director of occupational health at Surrey University'a Robens Institute.

"We have just as many sites affected by sick building problems, but we don't seem willing to commit the research funding needed to examine it."

His concern is echoed at the Building Research Establishment (BRE), the reaearch agency funded partly by the government.

Mr Stephen Willis, head of the new technologies and controls section in the BRE's environmental systems division, warns that innovation in the UK still lags behind overseas competitors and is often regarded as conservative.

That fault may be due to the tendency among British architects to first design a building and only consult building service engineers afterwards to make the plans work.

With little room to manoeuvre, the engineers sometimes have no option but to fall back on expensive and costly systems for air conditioning and other services.

Moves to introduce supposedly innovative ideas, such as manually-opened windows for natural ventilation, sometimes also run into hostility from owner-occupiers who regard such ideas as unprestigious and old-fashioned.

In some cases, there has also been a reluctance by the construction industry to embrace schemes which could threaten tbeir lucrative maintenance contracts.

The government, according to Mr Willis, has recently urged companies to change their attitude by taking part in collahorative research funded jointly by industry and the Department of the Environment.

Pressure to increase research funding mounted following the 1992 Rio Convention on Climate Change, in which Britain acknowledged tbe need to reduce greenhouse gas emissions from commercial buildings.

By implication, industry could do more to support development of new technology

As part of that commitment, the BRE has launched a £1m energy-related environmental issues programme, which includes 20 research projects on subjects ranging from avoiding air conditioning to guidance on refrigeration systems and the application of neural networks.

Its work is being matched hy the Building Services Research and Information Association (BSRIA), which represents almost 800 contractors, manufacturers and consulting engineers.

Although it has 21 research projects under way, Ms Anne King, the association's marketing director, admits: "We do not compare favourably with overseas competitors on R&D. Britain spends less than Germany and Japan on research, even though government backing has not been cut."

By implication, industry – which funds 23 per cent of BSRIA's £2m research funding – could do more to support development of new technology. But in a sluggish commercial property market, construction companies are anxious to keeping building service costs to a minimum and have been slow to change.

There are, of course, buildings which show that innovation works. Mr Stephen Willis, at the BRE, cites the De Montfort University's new school of engineering and manufacture as an example.

Part gothic, part art deco – it makes use of natural ventilation and large areas of glass to maximise light and heat.

Mr Willis claims that similar schemes are relatively rare because of a lack of training initiatives among the building service engineers who advise on plans for new or refurbished buildings.

"I don't see a great deal of evidence of professional training. Without that, one ends up reinforcing the conservatism in British building services."

Dr Hawkins at Surrey University agrees. He blames most of the problems on air conditioning systems, one of the main contribntors to sick building syndrome.

"We seem to be extremely bad at getting air conditioning to work properly. I've come across a lot of companies with excellent facilities which are allowed to deteriorate through poor maintenance."

Claims that a lack of professional training is largely to blame are rejected by the Chartered Institution of Building Service Engineers.

There has been a shift to continual professional training since the mid-1980s, according to Ms Jennifer Hand, spokeswoman for the institution.

"Our 15,500 members are required to keep abreast of new developments and we have increased the emphasis on updating skills for professional building service engineers," she says.

Citing changes in the training framework, Ms Hand points to the scheme run by Ove Arup. Under its training programme, some 300 graduates are guided hy senior supervisors through courses ranging from acoustics to structural engineering.

"It's a throwback to the apprenticeship system and we now create a gateway for graduates to pursue the right career as part of a professional review process," says Mr Roger Chantrelle, training and development manager at Ove Arup.

The scheme, however, is thought to be the exception rather than the rule in an industry under pressure to cut costs and trim back on research and development spending.

"There is still not enough money being put into prevention of sick building syndrome through R&D," says Dr Hawkins.

Industry, it seems, has yet to be persuaded. Under government pressure, it has paid more attention to research and new innovation. But remedial maintenance of existing systems is thought to be a more lucrative pursuit than installing new and innovative products.

In an industry still climbing painfully out of recession, research and development runs the risk of being consigned to the back burner.

ENVIRONMENTAL ISSUES

Code of practice published

A cartoon sums up some of the thinking behind recent moves on ibe environment in the building services industry. It depicts a bright, pristine planet earth with two figures. One, called The First Client, is drawn with a god-like flowing white beard and gown. He instructs a small, confused individual called Tbe First Engineer: "Okay, now put in tbe services".

The next image is of the same planet almost completely covered in smoking pipes and tubing, oxygen tanks and numerous different gadgets. The client says to an exhausted engineer: "Fine, fine. Bnt where do the lifts go?" If only there had been more communication – if only the engineer had been in on the act of creation at the beginning – his efforts to supply the end product with the services it needed would not have been quite so damaging. The cartoon is used on the cover of a report which aims to do something ahout this state of affairs.

Tbe Building Services Research and Information Association published an environmental code of practice earlier this year. The code, sponsored hy a range of clients and funded by the Department of the Environment as well as hy industry, aims to cover the process of huilding from inception to dismantling.

Although most people in the building services industry accept that their chances of improving the environmental impact of buildings would be enhanced if they were brought in at the inception of any project, the code aims to provide advice and recommendations for the "real world", says its anthor, Sandy Halliday, principal engineer and environment section leader at BSRIA. This world consists of engineers being called in once a building is built, or for refurbishment once it is already past its prime, or for demolition.

The code, the result of three years' work, will be distributed to architects, project managers, quantity surveyors and designers as well as the association's 800 or so building service members. It was sponsored by a range of clients, from PowerGen and a county council to bousing project groups. "We realised quite early on that it was pointless trying to do this in isolation; that everybody involved in building had to realise what was going on," says Halliday.

Lack of awareness and lack of communication have been at the root of the problem for some time, she says. "Traditionally engineers have heen given a box and told to heat it to such and such a temperature and cool it afterwards. The work has been thought of in terms of providing equipment rather than a living environment. There has been no concern about what the effect on tbe local environment is going to be, let alone the global one."

Many have already taken on board some of the issues dealt with by the code

The association felt that the accepted attitude had to change. It soon found tbat members were willing to listen. More members of the association supported the £140,000 environment project than had supported any other in BSRIA's 19-year history.

The report focuses on the life cycle costs of a huilding rather than the first cost of construction. It deals with the basics – bow to improve the environmental impact of waste disposal, for example – but it also paints the work of a building services engineer on a wider environmental canvas. It questions wbetber a building is actually necessary.

"This sounds radical for a building services engineer," says Ms Halliday, "but not enough of us actually ask whether we need a building in the first place."

The report warns of the effect that a badly-designed huilding can have on the local environment. Demolition of unsightly buildings is a "wasteful use of capital resources", it says. It criticises the move away from the use of sunshine, natural light and air in buildings. "There has been an increasing tendency to replace these natural systems with energy-consuming building services which are frequently more prolific, less functional and less efficient."

Many in the industry have already taken on hoard some of the issues dealt with by the association's code. The Justham Dunsdon partnership, for example, has been working on a feasibility study for National Westminster hank. The engineering consultancy proposes to use a system of air conditioning or "comfort cooling" which aims to save the bank £750,000 a year in energy costs. Most of this saving would be achieved by employing a system of refrigeration which uses the outside environment.

Keitb Dunsdon, principal partner at the company, believes the industry is only now beginning to wake up to the beoefits of environmeotal technology and developments. "We were perhaps too happy in years gone by to use systems which had worked quite well in one building for all buildings. Now we are being encouraged to be more innovative as well as practical in our energy efficiency, for example."

This change was brought about by a number of factors but particularly the recession, be says, with "people expecting twice as much for their money". Both be and BSRIA are clear that long-term environmental benefits go hand in band with cost savings in winning projects.

Mr Dunsdon adds that the job is easier with educated clients who understand the advantages of constructing environmentally-friendly buildings. "Sometimes people are worried about new ideas. We've been lucky in working with clients that understand."

A follow-up project will chart the economic and environmental implications of the code by analysing the effectiveness of case studies in the public and private sector later this year.

Sandy Halliday says: "We didn't want to end it there; to say: 'A code has been drawn up – that's it'. We had to make a judgment about how effective the recommendations were in actually cutting harmful emissions, improving the environment and saving money. That's the next step."

Much of the work in terms of attitude has already been done, she says. "At the most basic level, engineers recognise that good sense about the environment makes good business sense. If you can save money by turning lights off, and at the same time save a lot more, then you do so."

Jane Martinson

Attitudes to air conditioning are changing, says **David Lawson**

Is it time to switch to comfort cooling?

Twenty years ago you would have been hard pressed to find a new building with full air conditioning in the UK. Such technology seemed pointless in a temperate climate. Today, it is difficult to find one that is not festooned with "comfort cooling".

The term has been imported from the US – and there lies part of the reason for this sea change. It is what Tim Battle, an engineer trying to turn back the tide of technology, calls an invasion by the Coca-Cola society. In other words, sdoption of all things American, *glitzy and futuristic* in the constant striving to be modern.

This has infuriated conservationists, who argue that such energy-hungry systems, with their chlorofluorocarbons and potential health risks, are an unnecessary luxury.

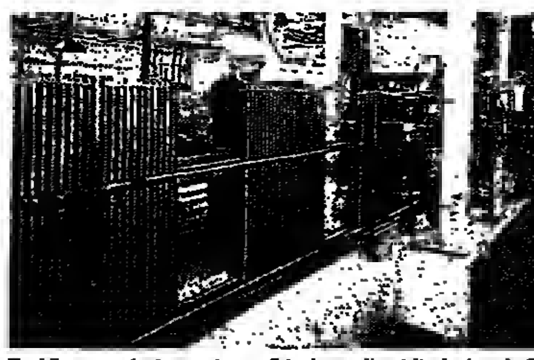
Some of the very engineers who have to design and build the systems are often sympathetic. "Modern technology is very seductive," says David Lush, a consultant with Ove Arup and past president of the Chartered Institution of Building Services Engineers.

Disapproving noises are also coming from the government, which tried earlier this year to put draconian restrictions on air conditioning in the next round of building regulation reforms. "There is a general disappointment that they failed," says Kenneth Dales, president of REHVA, the European Heating and Air Conditioning Associations.

The industry won a reprieve hy arguing that hlanket restrictions were wrong. But ministers have made it plain they expect designers to come up with measures that ensure fewer systems are installed, and that those that get through are more efficient.

Equipment manufacturers feel the problem has been overstated. In real terms, air conditioning accounts for less than 1 per cent of the UK's output of carbon dioxide and less than 4 per cent of energy consumed hy the commercial building sector, according to York International, the world's largest producer. Advances in technology are making the figures look even better, while CFCs will also have disappeared by 1995, it says.

But it is harder to argua away the conclusion that air conditioning has been overused. Growth of new technology has placed greater demands on cooling systems from computers crammed into even the most mundane workplace. As the noise and dirt of city centres kept windows closed, air conditioning soon became a standard fitting for most city-centre buildings. It then spread to business parks and suburbs where the need for such systems is less clear.



Toshiba manufactures air conditioning units at its factory in Plymouth

Greener building: a model of the Norwich Union's project in Croydon

A combination of recession and fears about global warming may be about to create another sea change, however. Engineers have always hlamed developers for over-specifying buildings. They, in turn, accuse estate agents, who claim occupiers will not take anything less than full variable air volume (VAV) systems.

But one of the country's largest developers is about to test this in a 140,000 sq ft hlock planned for central Croydon. "Our findings show that occupiers are willing to pay a little more for a greener building which cuts energy bills hy 30 per cent," says Bob Delafield, project manager for Norwich Union.

This desire to cut running costs – tinged with fear thst some kind of carbon tax will emerge later this decade to maks things sven worse – is still at the experimental stage. Building will not start until a tenant decides that energy-saving is vital and signs up for the space.

Norwich Union is also hedging its hets. This is not one of those "landmark" developments which turns up every few years, boasting complete lack of air conditioning in favour of natural ventilation. "Those are plainly not feasible on anything other than a greenfield site where you have freedom to manipulate important factors like orientation to the sun," says Graham Love, head of project consultancy at Jones Lang Wootton.

The Croydon scheme is likely to offer "appropriate" cooling such as displacement air techniques, which cut running costs to about half the level of full VAV. Bnt the designs are still flexible enough for future occupiers to fit the sort of systems they desire. The building will be "capable" of using low-energy methods, says Bill Dickson of architects Sbeppard Robson. Occupiers will have to decide whether to use that capability.

Success will be judged by the business world not in environmental terms but a swift letting. That could lead to further schemes taking off.

Mr Dickson has three others on the drawing board, while Tim Battle, a veteran low-energy campaigner with engineers Rybka Smith Ginsler and Battle, is also hoping to spread his efforts beyond this development. He is advising the Prudential on plans for 250,000 sq ft of offices on the site of Forbury House, Reading, an obsolete Sixties building. Tbis could involve energy-saving construction such as minimising solar gain, as well as "appropriate" air conditioning.

It is also significant that both are city-centre sltes, says Mr Battle, destroying the myth that sucb developments are restricted to green fields.

Norwich Union may also try these new ideas on a proposed office block in City Square, Leeds, although chilled ceilings could be more appropriate for this site.

No amount of success is likely to see central London, the powerbouse of office building, swept up in such changes, bowever. Rents are mucb lower in places such as Croydon and Leeds, so running costs play a bigger role and are more important to tenants. "If we took this to the City or West End, it is much less likely to be accepted," says Mr Delafield.

But success in Croydon would be a significant break with the stultifying "institutional standord" hlamed for blanket provision of full air conditioning in so many office buildings. Letting agents will take immediate interest and give way to engineers' pleas for systems which suit individual needs.

"We are teetering on the edge of change," says Mr Dickson. "Developers know they must provide cheaper huildings. Employers realise that essential staff will not be retained by flashy gimmicks and gold-plated taps." That means a combination of economy and comfort – all within increasingly stringent regulations.

Air conditioning is not going to disappear, despite the wishes of dedicated conservationists. But it will be brought under control. Perhaps this is a good time to change the name to comfort-cooling after all, if only to get away from the idea that buildings either have air conditioning or don't. Far more effort will now go into appropriate systems selected from a wide spectrum of services honed to greater efficiency.

David Lawson on the systems needed to run a commercial building

Working and living inside the machine

Le Corbusier described the house as a machine for living in, but the metaphor becomes a literal truth when spplied to commercial buildings. They contain a network of systems as complex and interdependent as any production line.

Most are well hidden, particularly in sleek modern buildings. But you only have to glimpse the "inside out" profile of the Lloyd's Building in the City of London to see some of what normally lies under the skin. Even this jumble of pipes and dncts only tells part of the story.

A better guide comes every year in the landlord's service bill. Electricity, security, heating, cleaning, water and lifts suddenly become highly visible. A company which took great pains to knock £1 a sq ft off its rent on a building finds that the heating and air-conditioning maintenance alone has more than outweighed that saving.

In fact, the average service charge for air-conditioned buildings is running at more than £6 a sq ft, according to the annual analysis just produced by property consultants Jones Lang Wootton. Normally ventilated ones cost about £2 a sq ft less. That may represent only a fraction of overall costs, particularly in high rent and salary areas such as south-east England. But it represents an area for savings to occupiers who have struggled through recession and still face tough competition.

One cause for concern is the fact that charges have risen between 6.8 and 7.4 per cent in the past year, according to JLW. Increases look even more shocking over 10 years: since 1983 charges have soared almost 80 per cent for air-conditioned buildings and nearly 100 per cent for others. But much of this can be attributed to more arduous demands from occupiers. Ignorance is fading as businesses employ more experts and grow to understand the impact of services on output. Manufacturers have always known that productivity varles with comfort. Today's office factories are no different.

One of the biggest advances in building services over the past 20 years has been in the air that occupiers breathe. "Standards have doubled", says John Miller, technical services manager for JLW. New city-centre blocks are sealed from the pollution and noise outside. Each now has a carefully balanced interior environment where the temperature and air quality is in the hands of a machine.

A constant battle goes on between suppliers of different kinds of systems. Chilled ceilings, for instance, are currently touted as a cheaper alternative to the variable air volume (VAV) methods which became almost standard in the property boom.

"There are always fashions," says Kenneth Dale, president of REHVA, the European Heating & Air Conditioning Associations. He points out that chilled ceilings were being used more than 40 years ago and are common in continental Europe.

But the higgest battle is over whether to use any kind of air conditioning at all – an issue which is dealt with in more detail elsewhere in this survey. Energy-guzzling systems appear to be doomed as governments seek to control carbon dioxide emissions, and most technical advances are now taking place in making artificial ventilation more efficient and healthy.

The other big change in service systems over the past 20 years has been in the technology. Office buildings in particular have been dragged into the electronic age. Almost every building today is laced with miles of cabling carrying power and information to desktop computers, printers, faxes, photocopiers and modems.

This has fundamentally changed construction methods. New buildings have deep floor voids to accommodate the cabling and hollow ceilings for the heavy-duty dncting necessary to draw off heat from the electronics. Older buildings are probed to find existing gaps for the services – or written off as obsolete.

"There was also a physical change as information storage moved from the filing cabinet to the computer disc," says Graham Love, head of project consultancy at JLW. In simplistic terms, that meant a move from concentrating on how mucb weight each square foot of floor will support to how much power it can provide.

This aspect has developed into another battle. Older buildings were under-powered; new ones are over-powered. "Ten years ago they could handle around 5 watts per sqare metre but this soared to as much as 40W in the boom," says JLW development management partner Paul Boden.

But today's normal user requires only 15W-20W, and these blocks look embarrassingly overblown at a time when energy-saving is a priority. The British Council for Offices has brought out guidelines far below this peak.

The industry clearly went too far – an accusation commonly heard from building service engineers who feel they are rarely brought into the construction process early enough to point out such errors.

Over-powered buildings exist because agents said this was what the occupiers demanded. "But they were forecasting straight-line growtb in power demands without taking into account that the technology would become more efficient," says Peter Marks who as head of property management services at JLW now has the task of explaining big bills to occupiers.

Other "advances" in building services are less controversial. New technology has been harnessed to management, making control of various systems more efficient. Even the most modest warehouse can be fitted at a reasonable cost with computers which automate control of ventilation, temperature, access and safety.

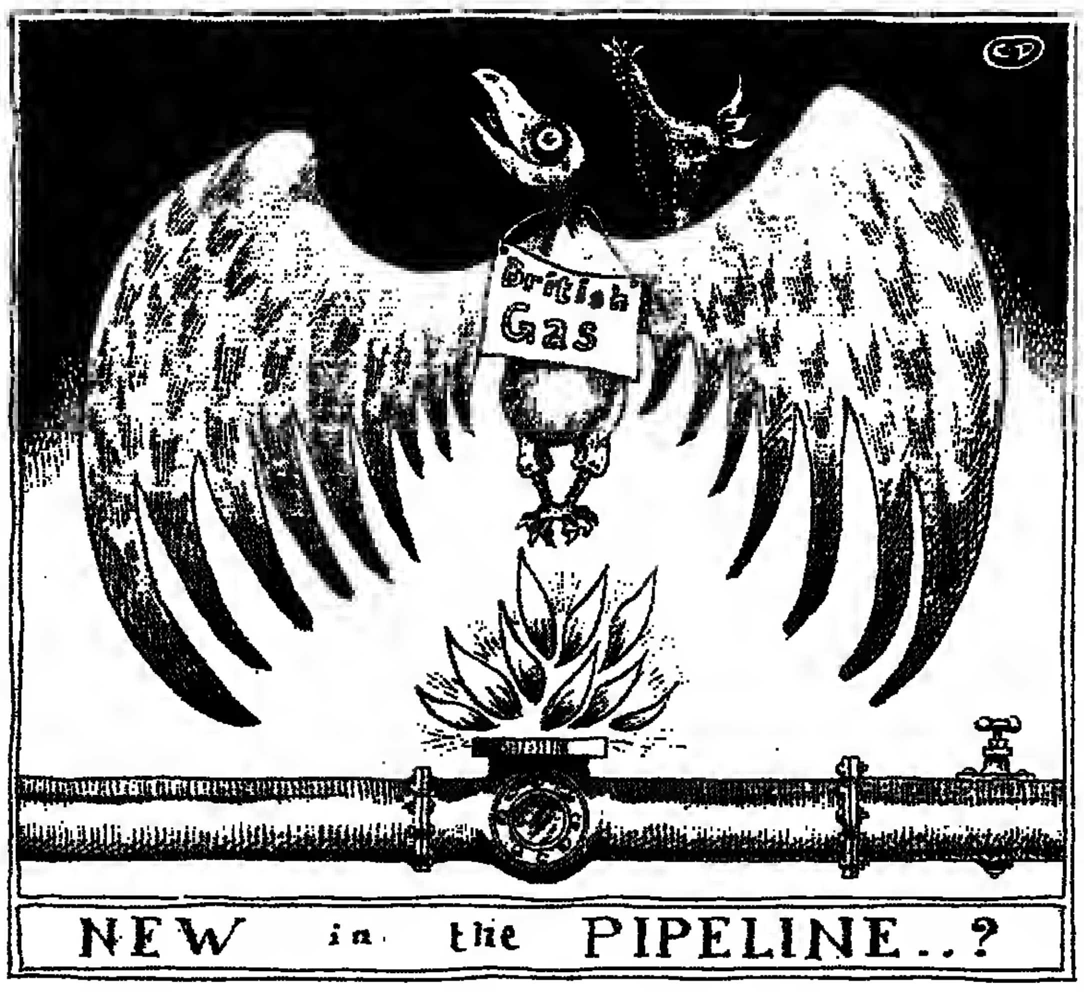
The drive for energy efficiency started in the early Seventies with oil price increases but has continued to make ground through advances in areas such as boiler technology. Fire engineering bas moved forward to cope with new demands such as enclosed sbopping centres, the chimney-like properties of office atriums, and a host of new health and safety regulations – particularly from ths European Commission.

The closest many occupiers get to perception of the machine around them is when they stray into the building manager's screen-clad hideaway after getting ont of the lift on the wrong floor. But if the lift itself breaks down, tbey realise how dependent they are on this technology.

Making it work is a science. Making it pay appears to be an art.

MANAGEMENT

Robert Corzine examines the dawning of a new age at British Gas as it faces upheaval in its main domestic business and the prospect of a sharp drop in market share once competition is phased in, in 1996



Fuel for a more fiery future

The chief executive in charge of the most profitable parts of Europe'a 13tb largest company has recently been exiled to a simple corner desk in a noisy, computer-crammed, open plan office in Solihull near Birmingham. His coffee comes in a flimsy plastic cup, but only wheu he takes the time to go to the dispenser. When sitting at his desk his every word can be overheard by nearby workers.

Visitors seeing his plight could easily mistake him for the classic victim of a boardroom coup, sent packing from his serene riverside suite in London to a provincial outpost.

But Harry Moulson, managing director of TransCo, the pipeline and gas storage company at the heart of British Gas, is merely making a statement about cultural change at a company in the midst of a restructuring and re-orientation exercise of a scale and complexity rarely attempted.

Three years ago British Gas was a stable, some would say stuffy, monopoly utility steeped in a public service ethos.

Today, after a series of government reviews and bruising battles with its regulator and would-be rivals, the chill winds of market competition are increasingly being felt. In particular, British Gas faces upheaval in its main domestic business and the prospect of a sharp drop in market share once competition is phased in, beginning in 1996.

The scale nf the management challenge is formidahle – "unlike anything ever attempted by a hig multinational oil company," according to one industry observer close to the company. On top of a radical corporate restructuring – in which it will shed its integrated status, along with 25,000 jobs, a full third of its staff – the company is trying to secure a premier position in the rapidly evolving but intensely competitive international gas industry.

As Richard Giordano, its new American chairman and Cedric Brown, chief executive, emphasised last Thursday, however, a new structure and strategy are worth little unless there is a wholesale change in corporate culture.

For most of its history British Gas has been a deeply inward-looking, strongly hierarchical organisation, with as many as "13 management and supervisory levels between the chief executive and the guy who dug holes in the streets", according to Moulson, wbose unit includes £19bn worth of gas pipeline and storage assets.

The hierarchical structure was built around semi-autonomous "gas generals", who ruled the 12 regions into which the UK business was divided. Many of the generals' lofty corner offices and private dining rooms at the old regional headquarters now stand vacant, their occupants having fallen victim to the decision last March to disband the regional structure in favour of five national husiness units.

But have the hureaucratic, anti-competitive attitudes ascribed to the "old guard" withered with their passing?

Many of British Gas's competitors remain sceptical. At least that is the message conveyed in their public statements aimed at the politicians who have yet to decide whether to put forward the legislation needed to turn the government's commitment to competition into a reality.

Others who deal closely with the company, including Clare Spottiswoode, director general of Ofgas, the company's regulator, insist that there has been a cultural change, at least at the highest levels.

She notes that senior executives in charge of the various business units often assume conflicting positions in negotiations with Ofgas, with, for example, the trading side of British Gas lining up against TransCo executives.

Spottiswoode, who believes cultural change at British Gas is a prerequisite to the effective introduction of competition in the domestic gas market, wonders, however, whether the competitive spirit is being embraced further down the ranks.

Senior British Gas executives share her concern. One recently commented that "middle ranking managers are scared to death" of the changes taking place. That is not surprising, given the fact that all employees are having to re-apply for their jobs as part of the restructuring.

But leading the rank-and-file to the new competitive world also flies in the face of tha company's history.

"Employee empowerment" is hard to sell to a workforce which "has spent the last 30 years in a command and control environment," admits Moulson.

That style of management can be traced to Sir Denis Rooke, the strong-willed chairman who served from 1976 until be stepped down in favour of Bob Evans to 1989.

His tenure was marked hy substantial technical and engineering achievements, not least of which was the \$1bn (£670m) conversion of 12m households from manufactured coal gas to natural gas. At the time he described the programme as "perhaps the greatest peacetime operation in this nation's history". Sir Denis also helped to dispel public douhts abont the reliability and safety of gas as a fuel by emphasising a "belt and braces" approach to husiness.

Such an attitude befits a company to which serious failures can literally hlow up in management's face. But it also fostered a bureaucratic mentality and an aversion to risk-taking.

"To avoid risks, you put in lots of traps," says Moulson. He cites as an example the long paper trail that until recently accompanied even the most routine requests to authorise work on gas connections to commercial and industrial customers. "There were 28 handover points for the request, which took an average of 27 days to process."

That process has since been cut to six handover points within five daya. Bnt other examples of the "belt and braces" approach persist. A case in point is the Central Area Transmission System gas terminal on Teeside, where the first new connection to the higb-pressure national gas transmission system in 10 years is to be huilt. In the initial talks with the terminals operators British Gas said it wanted to station a 10-person team in a separate building on the site to oversee the connector. When questioned as to why it needed sucb extensive facilities, British Gas simply said that was the way it had always been done.

Steady persuasion by its partners eventually resulted to the company acknowledging that the joh could be done hy one person sharing an office in the existing administration huilding. Breaking down such entrenched attitudes is a priority for the heads of the husiness units.

Moulson's decision to give up the private office and dining room may be a largely symbolic gesture, but it sends a message that the old barriers to communication between senior exectives and their staff have coma down.

"British Gas executives have traditionally not been very good at listening," notes Moulson. "They were much better at telling."

TransCo is well on its way to reducing the 13 management levels to just five or six. But not all of Moulson's attempts to break down internal barriers have succeeded. Many manual workers react to talk of "empowerment" with suspicion, even though Moulson tries to reassure them that it means nothing more than "having a go and trying different things".

Many senior managers can also be uncomfortable with the more open style. "All too often you ask someone what he thinks of an issue and the response is: 'I can give you a paper on that'," bemoans Moulson.

The emphasis on "openness" extends to TransCo's dealings with its customers, which includa the trading divisions of British Gas as well as the 30 or so independent gas marketers. Last year many of the independents accused TransCo of deliherately hindering their operations in the industrial and commercial gas markets now open to competition. They believed it was part of a campaign to hlock wider competition.

TransCo executives say those problems resulted from the speed at which the competitors captured market share and from sbortcomings in a technical system whicb have now largely been overcome.

They also claim that tbe new commercial culture at Solihull has eradicated the doubts and suspicions of all but a handful of the independents. They concede, however, that many independents are less sure that the anti-competitive attitudes have changed at the district level.

The transition from a cosy monopoly to the competitive market may be even more wrenching for the 8,000 or so staff employed hy Puhlic Gas Supply, the Staines-based business unit which will have to compete head-on with the independent gas marketing companies when the domestic market of 18m households is liberalised later this decade.

Mike Alexander, the PGS chief executive, is also cutting out many layers of management. But unlike his counterpart at TransCo, wbose workforce will remain relatively stable, Alexander will have to slash persoonel numbers in order to come anywbere near to being competitive with the independents.

The need to cultivate a more commercial approach among PGS staff is if anything more urgent, given the fierce competition expected from would-be rivals.

In additinn PGS, whose main function is to handle routine custnmer accounts and complaints about their bills, is unlikely to find stability at tbe end of the restructuring exercise.

Anne Hemmingway, head of the Southampton-hased Southern division, says employees nften tell her what a relief it will be when the current round of uncertainty over jobs and structural changes is behind them.

Her answer, she says, is always the same. "What makes you think its going to to settle down?"

Sanior PGS executives concede that instilling commercial attitudes in people wbo freely admit that they joined British Gas for a quiet, orderly office life and job security will not be easy.

"Our task is to get people buzzing," says Hemmingway. That "buzz" is evident among the first supervisors in Southampton cbosen to undergo a course that will belp them to "allay the fears and stop the panic" among their more junior colleagues.

In recent weeks they have spent most of their time in a room plastered with posters extolling the virtues of customer care and employee empowerment. They acknowledge that it may be a problem to persuade many junior staff to take responsibility for even simple tasks, let alone convincing them to take advantage of customer contacts as a possible "selling opportunity".

They also agree that many of their middle-ranking management colleagues may not make the transition from supervisory roles to one in which the emphasis is on "coaching, counselling and assessing".

It will he some months before executives know if the change in attitudes which such words imply will take hold. There is little doubt, however, that British Gas has at least begun the "complete and radical transformation" of the culture which Cedric Brown last week identified as a key to future success.

PIONEERS AND PROPHETS

Frederick Winslow Taylor

Engineer, inventor, consultant and tennis champion, Taylor gave his name tn what was probably the first true internatinnal management movement.

Many of the Philadelphia Quaker's ideas nn prodnctivity and the organisation of work have been discredited since his death in 1917. Bnt the influence of Taylorism can still be felt in modern management theories, not least the currently fashionable husiness process re-engineering.

Taylnr was obsessed by efficiency and measurement and set out to prove scientifically that a machinist, for example, could produce a specific quantity of ontput in a given time. At Midvale Steel Works – wbere be became chief engineer in the 1880s – the jobs of foremen were redefined and a set of clear procedures established for certain jnbs. Stop watches were distributed to the foremen as Taylor attempted to break down the work into its component parts (an essential feature of latter day BPR).

In *Principles of Scientific Management* (1911) – a book based largely on his experiences at Midvale and later at Bethlehem Steel and the most quoted source of his ideas – Taylor argued that scientific methods should replace the old rule of thumh ways in which workers operated; that workers should be scientifically selected to be "first class" at a particular task; and that work ahould be equally divided between workers and management.

Taylor was also one of the first to develop the idea of payment by results, introducing differential piece rates and achieving significant cost reductions in the process. As John Mapes, senior lecturer in Operations Management at Cranfield School of Management, points out, however, this part of the legacy is less appreciated today. "Taylor put the emphasis on output rather than quality."

Taylor's "top down" thinking and tendency to think of employees mainly as pairs of hands are also out of favour. He was never flavour of the month with the trade unions, one of whose US leaders claimed that "no tyrant or slave-driver in the ecstasy of his most delirious dream ever sought to place upon abject slaves a condition more repugnant". Lyndall Urwick – an army officer who read *Principles* in tha first world war trenches and was inspired to found a movement for scientific management – remarked thet the strength of the union movement prevented Taylorism from being fully implemented in Britain.

Historians like Peter Drucker maintain Taylor started out with well-intentioned social rather than engineering or profit motives, and improving workers' living standards was one of his central aims.

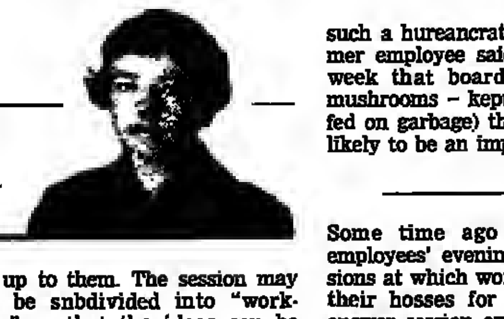
Taylor's talents were undeniable. Ha was a prolific inventor, taking out over 100 patents for ideas. He won the US tennis doubles championship in 1881 and snceeded in getting the rules of baseball changed by proving that over-arm bowling was more effective than under-arm.

This is the first of o new series.

Tim Dickson

Mother knows how to manage best

LUCY KELLAWAY



I have just been sent some research hy a pair of US doctors, botb called Rick, and both world experts on bow to cope with difficult people at work. As I read through the tactics they recommend for procrastinators, bullies and whiners, I felt an odd sense of déjà vu.

The account reminded me of another hook, one which belongs not on the management sbelves but with the books on yoga and childbirth. It is a slim voluma called Getting on with Your Children. All the management techniques are in it, and all are applicable to difficult workmates and to easy ones too. There are sections on the destructive power of criticism, the importance of praise, the need to listen, and on learning from mistakes. Its account of how to make ynur children independent and responsible could be transcribed word for word into one of tbose new hooks on empowerment.

Admittedly, the analogy is not perfect: it is not usually appropriate to cuddle your workmates, nor can you confine your colleagues to their cots when they become ton tiresome. Equally you cannot fire your children; or expect them to increase your family's revenues.

Still there are enough parallels to suggest thet the best managers may not be those pinstriped men who have had years in the boardroom and been on all the right management courses. They may be mothers who have successfully brought up large numbers of trying children. Anyone who can deal with a manipulative three-year-old or a two-year-old throwing temper tantrums will find even the worst varieties of wayward behaviour in the office a piece of cake.

For over three decades management experts have been preaching ways of making meetings more efficient. Yet so far their advice has not made a jot of difference: the average manager still spends 40 per cent of every day in meetings, and still complains that most of that is a frustrating waste of time.

Fresh from the US comes a radical solution – the "open spaca" meeting. This turns all the old advice on its head: instead of sticking to an agenda, the agenda is dispensed with altogether. Instead of keeping the session short, these meetings last at least a day, and possihly three. Far from paring numbers to the minimum, everyone is invited – 700 people would not be considered too many at an open space gathering. During the meeting anyone can pin up their ideas on a board and those who agree can sign up to them. The session may then be snbdivided into "workshops" so that the ideas can be thrashed out in more detail. According to Wikima Consulting, which is attempting to import the idea into the UK, these meetings encourage "unparalleled creativity, motivation and commitment". Apparently they allow companies to be rebuilt and conflicts to be resolved.

There are some peculiar management practices about, hut this one takes the biscuit. The Preshyterian Church in the US and the World Bank are great fans of the open space meeting. But then one organisation has faith, and the other is in such a hureancratic muddle (a former employee said in the FT last week that board memhars were mushrooms – kept in tha dark and fed on garbage) that any change is likely to be an improvement.

Some time ago I wrote about employees' evenings, strange occasions at which workers gather with their hosses for a question and answer session over a drink and a few peanuts. Here is an even odder concept: the customers' evening. If you bank with Lloyds, you may have already received an invitstion to visit the local branch after hours, for a glass of wine and the npportunity to tell them how you feel about the new open-plan branch layout.

I can't think of anything I would like less than to spend a precious avening visiting my bank to discuss whether the lighting is too bright or too dim. Fortunately I am a customer of First Direct, so the question of lighting and comportment of branch staff does not arise.

Yet it seems I am in a minority with my stand-offish attitude. So far Lloyds has held over 1,000 of such evenings, making these branch booze ups one of the most popular nights out across the country.

The bank says thet perfectly normal people turn up: all ages, classes and colours are represented, not just the people who write to newspapers in block capitals or in green ink.

Surely all these people cannot be motivated by the free drink, nor by the desire to see the other side of the cashier's glass screen. It seems our banks have a special hold over us. Because they have the knack of making our lives difficult by messing up our affairs and overcharging us, only to be onhelievably slow to rectify matters, they turn the most laid back person into a first rate moaner. There is a pleasure to be had in complaining to the right person, so perhaps an invitation to make a night of it is not to be scoffed at.

BUSINESS TRAVEL

Heathrow check-in

Kerb-side check-ins for business passengers will be introduced by British Midland, the UK's second largest scheduled carrier, at London's Heathrow airport today. Business passengers for domestic or international flights will be able to check-in at a desk outside Terminal 1 and go straight to the gate. Sales and marketing director Alex Grant says that business passengers can avoid the check-in area altogether.

Indonesian fire

A dangerous haze from thick smoke caused by Indonesian forest fires has been blamed for at least one collision between ships in the seas between Indonesia and Singapore. Air transport to Kalimantan has been paralysed by the smoke since early last week while flights to Indonesia's industrial island of Batam, near Singapore, have been disrupted. Malaysia's information minister said at the weekend that Malaysia was prepared to help Indonesia control the forest fires in Sumatra and Kalimantan. Pollution from the haze has reached a hazardous level in Kuala Lumpur, the worst-hit area, officials said.

Iran's currency woes

Iran's interior ministry has ordered private foreign exchange dealers to stop conducting business or have their money confiscated, the official Islamic Republic News Agency reported Sunday. The ministry said it was acting because of repeated complaints about "profiteering middlemen illegally" issuing counterfeit money at unofficial exchanges. The central bank said official exchange centers will be set up across the country to sell foreign currency to travellers.

Thai flood alert

Local authorities in Thailand's capital Bangkok have issued a flood warning for October 6-11, when a combination of heavy rainfall and high tides in the Gulf of Thailand could cause the Chao Phraya river to overflow.

Six months ago Bangkok was threatened by a severe water shortage, but exceptionally heavy monsoon rains have more than remedied the drought.

Flooding caused by heavy rain sometimes brings Bangkok's already slow-moving traffic to a complete stop for hours at a time.

Italian monument

Some 12,000 Italians waited for hours in pouring rain yesterday for a rare chance to visit the Quirinal Palace, the hill-top residence of popes, kings and – these days – presidents.

President Oscar Luigi Scalfaro's daughter, Marianna, led the tours. The 16th century palace atop one of Rome's seven hills was only rarely open to the public, but now tours will be given for three hours every Sunday morning.

The Quirinal has served as home to three popes, four kings and, since 1947, nine presidents who are head of state.

London to Syria

The UK's minister of state at the Foreign Office, Douglas Hogg, arrived in Damascus yesterday for a three-day visit.

He has already visited Syria twice since London and Damascus resumed relations in 1990 and British officials said the aim of this visit was "to keep up the relationship".

Mr Hogg will have talks with his Syrian counterpart, Mr Nasser Qaddour, and possibly with other ministers, especially those responsible for the economy.

The UK would like to expand its business relationship with Syria but British companies face stiff competition from Italian, German and Japanese rivals.

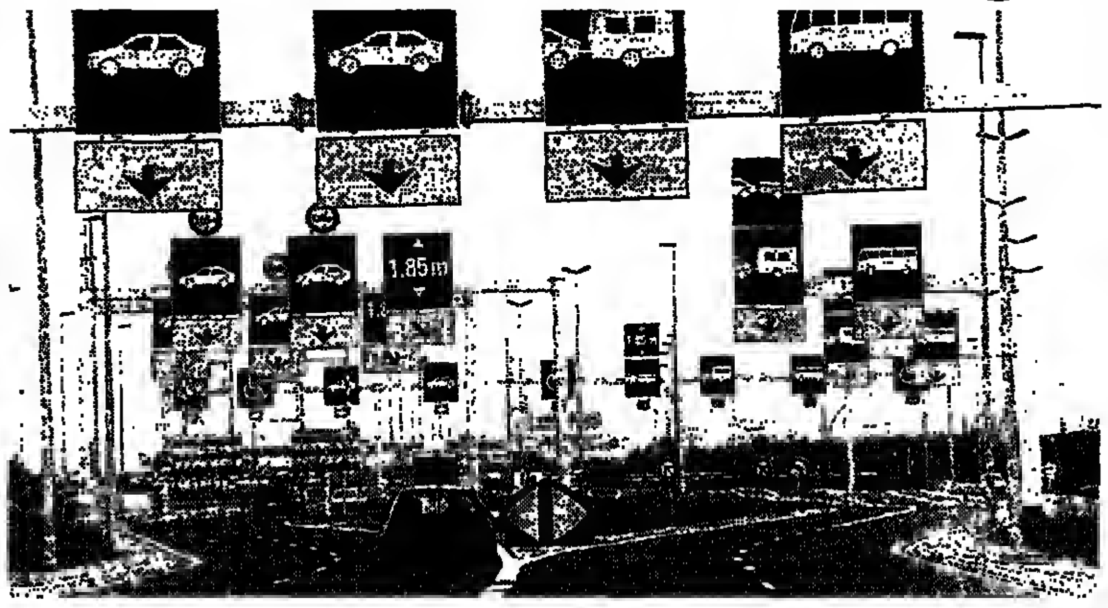
Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	26	23	23	22	23
Hong Kong	30	29	29	31	30
London	12	12	12	15	16
Frankfurt	17	10	9	11	12
New York	16	16	16	13	13
L Angeles	22	22	21	23	21
Milan	22	21	23	24	23
Paris	15	12	13	14	13
Zurich	17	11	9	10	10

Maximum temperatures in Celsius
Information supplied by Meteo Consult of the Netherlands

Charles Batchelor on the competitive challenges for Eurotunnel as it launches its shuttle service today

Watch out, the drive ahead could be rough



Ashley Ashwood

Signs of the times: motorists at the Calais entrance to Eurotunnel's Channel shuttle service, which opens today

Eurotunnel, tbe Channel tunnel operating company, will today begin carrying car passengers through the Channel tunnel on its specially-designed shuttle trains – nearly 18 months behind schedule.

The passenger car sbnttles are the most important element in *Eurotunnel's strategy* to *wrest dom*inance of the cross-Channel market away from ferries. The company confidently predicts that it will be transporting at least half of all accompanied car journeys by the end of 1996.

But Eurotunnel's ambitions do not end there. While interest to date in car abuttles has focused on their impact on tourist travel, Eurotunnel commercial director Mr Christopher Garnett has also set his sights on winning a share of the potentially lucrative business market.

Traditionally, businessmen have only taken a car across the Channel if they had sales samples or equipment to carry. But improvements to the continental motorway network have encouraged many executives to use their cars for more general business travel.

Eurotunnel estimates that about 10 per cent of cross-Channel journeys are made for business-related purposes, mostly by hovercraft. Both the hovercraft and the Eurotunnel sbnttle service are twice as fast as a ferry crossing. Mr Garnett believes that most executives who put a premium on speed will switch to the more comfortable shuttle ride. Business customers could account for 15-20 per cent of all shuttle travellers, he says.

For the first six weeks of the new service, travel through the tunnel will be by invitation only. Eurotunnel bopes to carry 60,000 passengers chosen from among its shareholders – selected by ballot – and from the ranks of its bankers, MPs, MEPs and the travel trade. The company hopes to win over sceptics by impressing these opinion-formers before it launcbes its "turn-up-and-go" service in November.

For the business traveller making a last-minute journey, Eurotunnel's "no-booking service" will be a particular appeal. The frequency of the shuttle departures – four an hour once the service reaches full capacity sometime next year – should ensure few delays.

The actual journey for the motorist will be spent in a brightly-lit, air-conditioned metal tube, as guests found out on a special sbuttle launch trip last Friday. The motorist drives down the length of the train and when all vehicles have been accommodated, fire-proof shutters descend from tbe ceiling. These shutters isolate the carriages, each of which has two decks with room for five cars. Passengers can still move from carriage to carriage, bowever, through doors alongside the sbutters. Toilets are located in every third carriage.

Unlike truck drivers, wbo may leave their cabs for a meal in a separate carriage, car drivers must remain with their vehicles. There is little for the traveller to do during the 35-minute journey except read.

The journey through the tunnel is smooth, even at top train speeds of 80mph. The small carriage windows – there is, after all, nothing to see during the underground part of the journey – combined with the comfortable ride mean that travellers may not notice wben the train actually dips into the tunnel.

The cost of the journey will not be disclosed until November wben Eurotunnel launches its "turn-up-and-go" service, tbougb the company does concede it is likely to be comparable with the cost of a ferry crossing.

Ferry tariffs have stabilised recently after a bout of price-cutting in the spring and early summer, but ferry companies will be watching Eurotunnel closely to matcb its special offers. Both sides are keen to avoid a price war; bowever, with Eurotunnel injecting considerable new capacity into the cross-channel market, tbe competitors will be eager to grab market share.

Although the ferries bave most to fear from the launch of the shuttle, it is airlines which will initially be hit by the launcb of fast intercity Eurostar services between London, Paris and Brussels. The railways of the three countries which will operate this service have yet to announce a starting date but it is expected to be no later than November. Demand for seats on the Eurostar trains are expected to outstrip that for the sbuttles.

More Choice in ex-Soviet states

One botel group with far-ranging plans in Russia and elsewhere in the Commonwealth of Independent States is tbe US-based Cboice Hotels International. Alain Ammar, its managing director in Europe, says tbat tbe CIS offers "great potential" for western botel groups, because of a lack of international two-, tbree- and four-star properties, writes Michael Thompson-Noel.

However, the group's first Russian property will be a 272-unit, five-star, city-centre hotel in the Petrogradskaya district of St Petersburg, close to the Hermitage museum, which will be marketed primarily to international business travellers.

The former Inter Hotel Petrograd is receiving a $60m facelift, due to be completed by next autumn. It will reopen as the Clarion North Crown, complete with 10 suites, two-room apartments, a business centre, conference hall, nightclub and shopping mall. Room rates will be $250-$280 a night.

Choice Hotels International is a wbolly-owned subsidiary of Manor Care, tbe US healthcare group, and describes itself as the world's largest international botel francbise business. It bas 3,265 properties open or being developed in 34 countries, which it markets under seven brands. Four brands are used internationally: Clarion, Quality, Comfort and Sleep Inn. The other three – Econo Lodge, Rodeway and Friendsbip Inn – are used only in the US and Canada.

Four months ago, Choice signed an agreement with Contract Russia, a leading botel development and management company in the CIS. The agreement covers 15 CIS countries and envisages the development of 25 hotels under the Cboice umbrella by the end of 1998, and about 70 within 10 years. Its main target is the two- and three-star segment.

Properties will be developed via a mix of conversions and new building, concentrating initially on Russia, Belarus and Ukraine. The early priorities are St Petersburg, Moscow and Minsk. After that, says Choice, will come Novisibirsk, a Siberian city, and Kazakhstan, the oil-and-mineral-ricb republic whose capital, Alma-Ata, already attracts business visitors.

Cboice says that so far this year it has opened 35 hotels in seven western European countries, including Spain, a new market, and bas 58 more under development in Britain, France, Germany, Norway and Portugal. As of last week it had 250 hotels open or being readied in 10 European countries.

Contract Russia, based in Moscow, is a subsidiary of Contract Mullersafe Industrie, a Russian financial holding company with interests in engineering, construction, industrial equipment, sales and distribution, and botel development and management.

St Petersburg, whicb is expected to attract 3.5m visitors next year, has about 30,000 hotel beds. But fewer than 3,000 of tbe city's hotel rooms, says Choice, are up to international standard.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 02.10.94 Pool purchase price £/MWh	Final Prices for Trading on 04.09.94 Pool purchase price £/MWh	Pool selling price £/MWh
0030	10.10	10.50	10.50
0100	9.54	9.57	9.57
0130	9.55	9.56	9.56
0200	9.58	9.55	9.55
0230	11.35	9.55	9.55
0300	9.58	9.55	9.55
0330	9.55	9.55	9.55
0400	9.54	9.55	9.55
0430	9.54	9.55	9.55
0500	9.54	9.55	9.55
0530	9.53	9.54	9.54
0600	9.53	9.54	9.54
0630	9.54	9.55	9.55
0700	9.54	9.55	9.55
0730	9.54	9.54	9.54
0800	10.60	9.60	9.60
0830	11.23	10.50	10.50
0900	12.03	11.79	13.80
0930	12.10	12.31	14.42
1000	16.95	14.32	16.42
1030	16.81	18.75	20.85
1100	18.30	18.75	20.85
1130	21.09	20.00	22.19
1200	30.02	26.00	28.10
1230	30.02	26.00	28.19
1300	30.02	26.00	28.19
1330	30.02	17.84	19.75
1400	21.09	17.64	19.75
1430	14.98	14.16	16.27
1500	10.20	12.75	14.86
1530	9.68	10.60	10.60
1600	9.68	10.60	10.00
1630	9.68	12.75	14.86
1700	18.30	12.75	14.86
1730	14.98	13.98	16.09
1800	18.30	14.07	16.18
1830	18.97	14.07	16.18
1900	31.08	13.98	16.09
1930	40.00	13.98	16.09
2000	40.00	21.46	23.56
2030	31.08	23.66	25.98
2100	31.08	23.66	25.98
2130	19.17	21.40	23.56
2200	19.17	21.46	23.56
2230	16.95	21.18	23.28
2300	15.49	14.84	16.94
2330	12.14	13.44	15.65
2400	9.56	10.60	10.60

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.
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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 03.10.94 Pool purchase price £/MWh	Final Prices for Trading on 05.09.94 Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.54	9.57	9.57
0100	9.54	9.57	9.57
0130	9.54	9.57	9.57
0200	9.55	9.57	9.57
0230	9.55	9.57	9.57
0300	9.55	9.57	9.57
0330	9.54	9.57	9.57
0400	9.54	9.57	9.57
0430	9.54	9.57	9.57
0500	9.54	9.57	9.57
0530	8.90	9.56	9.56
0600	9.51	9.55	9.55
0630	10.20	9.92	9.92
0700	16.84	13.12	18.92
0730	16.46	16.15	18.85
0800	18.06	18.18	21.86
0830	17.20	18.09	22.40
0900	20.17	19.26	22.97
0930	20.23	19.29	23.02
1000	20.28	19.33	23.07
1030	20.30	19.36	23.12
1100	20.31	19.40	23.16
1130	20.33	22.28	26.05
1200	36.12	34.19	37.89
1230	36.08	34.00	37.85
1300	36.00	26.19	28.94
1330	20.19	19.29	23.02
1400	17.42	19.25	22.97
1430	17.41	19.00	22.72
1500	17.40	19.00	22.71
1530	17.40	19.00	22.71
1600	17.42	19.00	22.71
1630	18.12	19.02	22.73
1700	35.95	19.03	22.75
1730	35.94	33.42	37.13
1800	35.91	19.00	22.71
1830	17.51	18.68	22.38
1900	18.40	18.68	22.38
1930	36.44	18.16	21.86
2000	36.36	18.69	22.39
2030	24.91	36.44	39.14
2100	17.40	35.44	39.14
2130	17.38	35.45	39.13
2200	17.16	17.43	21.13
2230	16.64	18.16	21.86
2300	16.64	16.82	20.52
2330	16.56	16.66	20.26
2400	10.40	13.47	17.17

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.
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MEDIA FUTURES

Magic market for Microsoft

The world's biggest software company has a mission to 'edutain', writes Alan Cane

Bernard Vergnes, president of Microsoft Europe, describes his ambitions in multimedia carefully. Without wanting to appear arrogant, be says, be wants to be the leading supplier of educational and other programmes – sometimes known as "edutainment" – published on CD-Rom. These are the building bricks of the multimedia revolution.

Microsoft, the world's largest software company, helped pioneer the genre in 1992 with *Musical Instruments*, a CD-Rom ideally suited to demonstrating the combination of text, video and quality sound which characterises multimedia presentations.

Today, *Musical Instruments* still impresses but looks dated compared with newer offerings such as *The Magic School Bus*, a series to be released shortly. It is said to be Microsoft president Bill Gates's current favourite, and features a yellow US school bus with driver and passengers which can be shrunk to navigate through the digestive system in *The Human Body* or the cosmos in *The Solar System*. Microsoft's best-selling *Dinosaurs* of 18 months ago included five moving video clips; *Dangerous Creatures*, a new release, has more than 100.

Vergnes, who has worked for Microsoft since 1983 and has been its European president since 1990, believes that the domestic market for CD-Rom is about to expand rapidly, especially in Europe. He reckons that personal compnters equipped for multimedia will reach the "magic price" this Christmas at which substantial domestic sales can be expected.

He defines that price as just below £1,000 in Britain or FFr10,000 in France. For this, customers will get a PC built around a high-performance Intel 486 or "Pentium" chip with 16 megabytes of fast memory and a 300-megabyte hard disc together with a CD-Rom player and sound capabilities.

In France, he says, some 25 per cent of PC sales are now through supermarkets. Carrefour, the large French chain, is marketing its own range of five models, some of which can handle multimedia.

Microsoft is taking the home market seriously. It has some 500-600 people, including educationists, psychologists and software specialists, in its consumer group, and is spending just under $100m a year on developing new titles. Sales are about $300m a year.

In total, Microsoft spends about $600m on research and development, most of it on software, which brings a much greater financial return. "We are over-investing for the future in these areas," says Vergnes.

Sncccss in consumer markets is critical to Microsoft's plans. Its worldwide sales – $4.7bn (£2.97bn) last year – comprise desktop applications, PC operating systems, word processors, spreadsheets and database managers. Revenue growth last year was 24 per cent.

However, Vergnes admits that "the traditional PC software market will not grow for-ever. One day, probably sooner rather than later, most desktops in developed countries will have a PC with a complete suite of business programs".

A new offering features a school bus which can be shrunk to navigate through the digestive system

The company plans to reach sales of $8bn by 1995-96, but Vergnes says the extra $3bn will not come entirely from desktop applications. "Unless we make at least $1bn from consumer products, we shall not achieve our target."

He is encouraged by research showing that each professional PC installed leads to purchases of – on average – five software packages during its life. But up to 15 purchases of software a year can he expected for domestic PCs if the price is right. The consumer software division is turning out three new titles a month.

The competition is not sitting idle. Microsoft's principal competitors, Lotus Development Corporation and Novell, have their own consumer products divisions. Recently Novell, the market leader in networking, announced a series of home education CD-Roms focusing on reading, writing and arithmetic.

Microsoft's ambitions in multimedia, however, range across the board. It is spending about $120m a year on software for the digital superhighway through its edvanced consumer technology research group, an élite operation headed by chief technologist Nathan Myhrvold and reporting directly to Bill Getes.

Microsoft interprets the highway as an electronic pipeline into each home able to convey an almost limitless stream of information. Database computers or servers provide the data which is unscrambled by a black box on top of the television set. Earlier this year Myhrvold's group announced "Tiger": video server software which Microsoft says is the first phase of a complex, interactive video system.

It runs on conventional personal computers. According to Vergnes: "We believe that traditional PC technology will develop fast enough so that we can build these servers from inexpensive hardware. We can share the processing load between the nstwork server and the set-top box which, after all, is only a powerful personal computer."

There is, thus, a close similarity between Microsoft's model of the information superhighways and the modern data-processing concept of client-server computing where server computers provide data to a network of PCs.

Microsoft's latest operating software, Windows NT, is intended to manage client-server networks. Indeed, Vergnes believes that business will be first to find applications for the information superhighway, with domestic applications following later.

He echoes Bill Gates's complaints that most multimedia trials involve only video-on-demand (VOD) – the ability to call a video of choice to the TV screen. While technically complex, he does not believe that VOD is a true test of demand for multimedia services.

In consequence, Microsoft's own trials – to be held with the US company TCI in Denver and Seattle next year – will be sophisticated and involve a range of services. Example: Vergnes envisages an education forum where teachers from a broad range of schools and colleges could exchange views and experience.

A monsoon that must not be missed

Andrew Hill on the regrouping of Olivetti's multimedia side

Preparing for the multimedia revolution sometimes seems like putting a bucket outside and waiting for a rainstorm to fill it: you can vary the size and shape of the bucket, but you can't do much to encourage the rain.

The bucket which has just been put out by Olivetti, the Italian computer group, is called Olivetti Telemedia, and the parent company is frank about its early prospects.

"We have an idea of the supply [of products and services], but we don't yet know what the demand will be like," admitted Elserino Piol, Olivetti's deputy chairman, at Telemedia's launch two weeks ago, although he ventured a figure of $3,000bn as the potential size of the worldwide information market.

In fact, Telemedia is a grouping of the Italian company's existing receptacles for multimedia and telecommunications – including a number of small international joint ventures but excluding the mobile telephone venture, Omnitel-Pronto Italia, in which Olivetti has a large stake.

Those ventures include some which have been quietly working on multimedia innovations for the last few years, and others formed only in the last few months.

Thus the June alliance between Olivetti and Hughes Network Systems, a subsidiary of General Motors of the US, to exploit the market for business satellite communications in Europe now comes under the Telemedia umbrella.

So does the joint venture with Redgate Communications of the US, announced in March, to produce electronic catalogues. But Telemedia will also include Seva, the data services company set up in 1985, and the company's well-established R&D operations in Pisa and Cambridge, among others.

New operations are being added bit by bit. Last week, for instance, the Italian company formally launched Italia Online, in collaboration with Italy's business daily Il Sole 24 Ore, to provide personal compnter users with access to databanks worldwide.

Aware of the risks of developing a high technology system while neglecting the software, Olivetti has also taken on Grant Perry, a presenter with CNN, the cable television network, as head of new media initiatives to scout out innovative programming for Telemedia.

At present, Olivetti describes Telemedia as "a virtual company" – a network of autonomous ventures with a common aim, whicb can be easily adapted to the challengea ahead – and for the moment Telemedia will make only a small virtual profit for Olivetti.

In 1994, Telemedia's components expect to turn over only L325bn (£132m), 40 per cent overseas, which compares with the group's turnover last year of L8,612bn. Piol talks in terms of an initial investment of $50m (£32m) in Telemedia, compared with the $2bn which Omnitel's shareholders will pump into the cellular telephone venture over the next four years.

This does not mean that Olivetti's commitment to the multimedia sector is half-hearted, but the company is still hamstrung, according to the company, by regulatory obstacles. Carlo De Benedetti, Olivetti's chairman and chief executive, rarely misses an opportunity to press publicly for further liberalisation of the telecoms sector and development of Europe's IT infrastructure, and Piol takes up the same theme.

"At the moment there is not much scope to invest because of the regulatory environment," he said. Deregulation means breaking up monopolies and creating a "pluralistic, competitive market for networks and innovative services," according to Olivetti, and focusing regulatory efforts on the distribution of scarce frequencies and the protection of free competition.

From the point of view of income, Telemedia and Omnitel-Pronto Italia are still two empty boxes in a group structure still dominated by compnter products, systems and services.

But after two to three years of drought in the international compnter market, the Italian group knows that it cannot afford to miss the forecast $3,000bn multimedia and telecoms monsoon.

As De Benedetti said in his report to shareholders earlier this year: "Converging information technology and telecommunications is the new, immense fast lane where Olivetti intends to operate."

ARCHITECTURE

A shiver of excitement

Will the lottery change the face of Britain, asks Colin Amery

"I strongly believe man cannot live by GDP alone ... I would like to see everyone in this country share in the opportunities that were once available only to the privileged few."

Those were not the words of Labour leader Tony Blair but of prime minister John Major when he opened the English Heritage conference last month. He was not talking about a radical re-arrangement of government spending plans but pinning his hopes on the success of Britain's national lottery, starting next month, which is expected to produce billions in revenue.

Part of these proceeds will be spent in five different areas, the five "good causes" – arts, sport, national heritage, charities and a fund to mark the millennium. John Major is optimistic that enough ideas will be forthcoming for ways to celebrate the millennium, and that "a wave of creativity will be unleashed".

What is curious ebout the whole lottery process is that what has been unleashed so far is a wave of bureaucracy and a cascade of commissariats, commissions and committees.

There is also much uncertainty. Who will make the awkward choices about criteria and quality that will determine the success or failure of an application for lottery funds?

In fact, it all comes down to the five godfathers of the lottery: their views and opinions are going to count, as are their prejudices and preferences. The five godfathers are Lords Gowrie and Rothschild for arts and heritage; David Seiff for charities; Rodney Walker for sport; and Stephen Dorrell, who has the awesome responsibility for the millennium.

These five wise men will all receive more petitions and more edvice than they can sensibly stand. Their offices have already started to grow and all five have spent a great deal of valuable time at seminars and struggling to establish the best possible criteria to guide applicants for grants.

None of them has been particularly effective about letting the public know what is going on, and none of them seems quite clear about the role of the Office of the Lottery, inevitably known as Oflot. Presumably Oflot will keep an eye on Camelot, the commercial operator of the lottery.

What is clear is that the majority of the cash is to be spent on capital projects and that each project is expected to raise matching partnership funding. This is a likely area of difficulty.

Mainly, capital projects means buildings, and there is a shiver of architectural excitment running through the profession at the prospect of an end to the dole queues of architects and builders.

It seems to me that while the heritage world will acquire funds to save more buildings and more collections, the people who are really going to have the most fun are the nine millennium commissionera who are engaged in what their founding minister, Peter Brooke, called a "unique and golden opportunity to mark the year 2000 in grand style".

Brooke was also rash enough to talk about providing additional landmarks of very high quality. "Landmark" is a dangerous term that is beyond definition, and the new minister who chairs the commission, Stephen Dorrell, does not seem quite so keen on it.

The nine commissioners are e curious bunch. Heather Couper is a lady astronomer; Richard Dalkeith will one day be the 10th Duke of Buccleuch and Queensbery; Robin Dixon is a bobsleigh champion and Northern Ireland businessman; John Hall built a successful bnt hideous shopping mall called Metroland in Gateshead; Simon Jenkins likes architecture and once edited The Times; Michael Heseltine wanted to be prime minister and now runs the Department of Trade and Industry; Michael Montague is a businessman appointed to represent the political opposition; and Patricia Scotland is a barrister and former member of the Race Relations Committee of the Bar General Council. Their chairman, Stephen Dorrell, is secretary of state for national heritage.

You are definitely missing ont if you have not received a personal visit from one or all of these commissioners.

They were decribed by their own office – rather charmingly – as "a panel of informed amateurs", and they are all desperate not to be responsible for the sanctioning of any white elephants. They see themselves as the heirs of the Victorians who built the Great Exhibition in 1851 and of the quiet socialists of the 1950s who built the Festival of Britain.

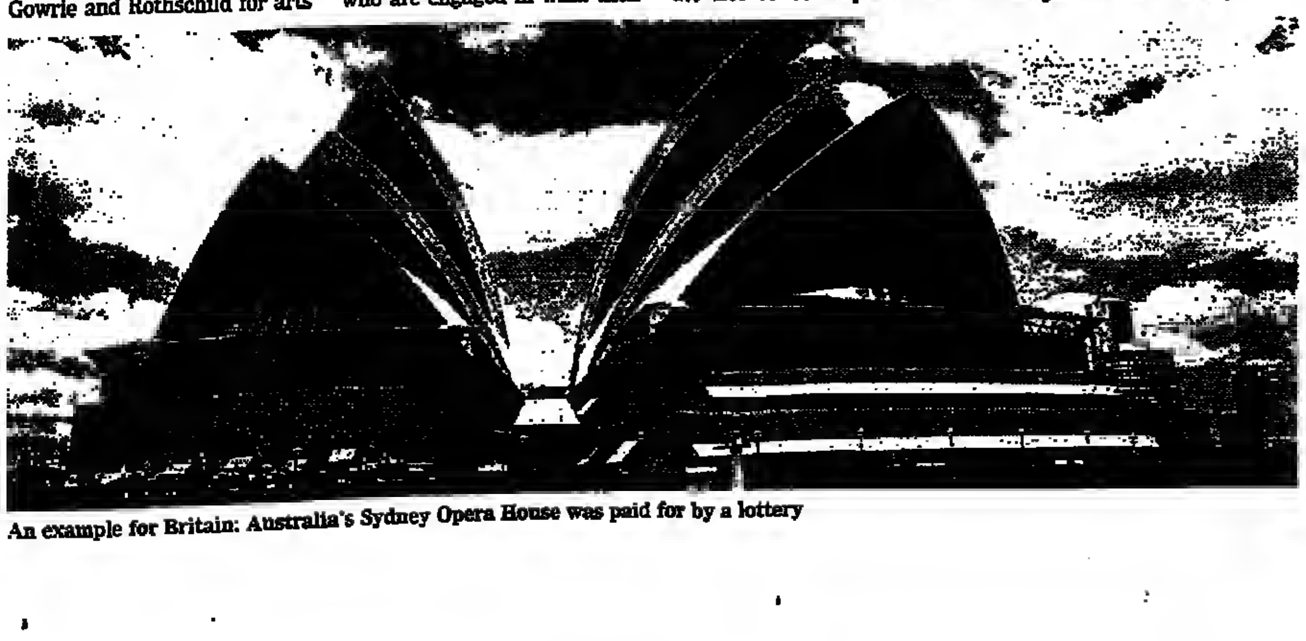
They are rather anxious not to be seen to be creating monuments. They are much more likely to fund the planting of a forest or the protection of a species than build a cathedral to mark the 2,000th Christian year.

The national mood – I cannot speak for Michael Heseltine, who has a strong streak of megalomania – would seem to be against monuments, and especially against monuments to the egomania of architects.

The Eiffel Tower in Paris marked the centenary of the French revolution and Sydney's Opera House was funded by a lottery. There have been hundreds of great expositions since 1851. But the number of successful un-political monuments in the world is very small.

By the end of next month you will be able to fill in an application form for a grant for your very own millennium project. But the guidelines are not quite prepared.

The last millennium in England was presided over hy Ethelred the Unready. With such a short time to go, will there be time for the commissioners to come up with something really inspiring that could change the face of Britain for ever? The whole thing is indeed a lottery.



An example for Britain: Australia's Sydney Opera House was paid for by a lottery

PEOPLE

King of Soya – and Nightclubs

Olacyr de Moraes, Brazilian entrepreneur, tells Angus Foster he wants to live a little

The great American industrialists of the last ceotury started empires based on railways, agriculture and construction. Olacyr de Moraes has gone one better and in a differeot cootineot; one of Brazil's most powerful businessmen, he has built an empire spanning all three.

In little more than 40 years he has turned his main company, Grupo Itamarati, from a tiny transport firm into a sprawling cooglomerate with an annual turnover of more than $1bn. Known in Brazil as the King of Soya, he is the world's biggest private producer of soyabean.

He owns one of the country's biggest constructioo companies. He is building a private railway, which could eventually stretch for 3,000 miles and which he bopes will open up Brazil's interior.

And now, at the age of 63, he is investing in telecoms, banking and power generation.

Despite all this, meeting de Moraes is a bit of a surprise. Expecting a strutting tycoon surrounded by maps of his dominions, the visitor finds, instead, a quiet, initially shy man who easily could be mistaken for a provincial bank manager.

And there are contradictions. Despite his (presumably) enormous wealth and the success of his businesses, he does not seem content. Recently divorced, he bas earned another nickname – King of the Nightclubs – because of his relationships with very pretty, mucb younger girlfriends.

"When you are single, you coma to the conclusion you need to live a little," he says. "Why should I live the life of a monk? I am still working the same amoimt as before with the same responsibilities. Our businesses have never done as well as they are now. In fact, I think going out with beautiful women brings you luck."

Born and brought up in São Paulo state, he started in business in 1947, running a small delivery company in São Paulo with his father. Its clients were mainly in construction; in 1957 aftar his father's death, de Moraes decided to enter the industry as well.

His construction company, Constran, started with small projects, such as building roads and housing. As economic growth accelerated, construction became an important sector for successive democratic and military governments. Constran prospered under both, and grew into one of Brazil's biggest private companies.

From 1968, some of the profits from construction were diverted into agriculture. Enormous mechanised farms were developed in the south-western states of Mato Grosso and Mato Grosso do Sul, at that stage thought to be too far from Brazil's main markets to be viable.

These farms, np to 250,000 acres in size, needed irrigation and soil correction to reduce acidity. Once prepared, however, they became extremely productive and Itamarati moved from wheat to soya to cattle and sugar.

According to his public relations resumé, de Moraes built Itamarati "with the talent and keenness of a great entrepreneur who has never hidden the satisfaction that he has made an important contribution to the economic and social development of Brazil".

In person, the King of Soya tells it slightly differently. "I've been successful because of hard work. I started working when I was 12, always on Saturdays and Sundays. It wasn't always wonderful. It was extremely difficult. I worked hard."

He says his main job now is to select the managers for each division rather than be involved in day-to-day decisions: "Each division is now highly professionalised." His son, Marcos Augusto, 27, is being groomed to take over the group and is at present overseeing investments in telecoms and a satellite joint veoture.

Itamarati is still wholly family-owned, and de Moraes sees no chance of that changing. "It is a very big group and there is always some need for one part to help another. For instance, profits from agriculture have gone towards the infrastructure interests. We can do this because we are flexible. It would he difficult if we had outside shareholders."

The group will enter new businesses by providing some capital, but also rely on joint venture partners for skills and finance. Infrastructure projects, including telecoms and power stations, are key growth sectors for de Moraes. He believes Brazil's government will be forced to withdraw from areas of the economy it traditionally saw as strategic.

Later this year, for instance, the company will start operating two hydro-electric power stations, a business which until 1990 was closed to the private sector.

"The government no longer has the money to invest in areas like telecommunications and energy. Public opinion is changing too, and not just in Brazil. Where there is opposition, it comes from employees of the state-owned firms or from companies wanting to keep their privileges. But the Brazilian people have matured and the businessmen hava changed, too. Today, there is a growing realisation that we have to lower costs and become more competitive."

Itamarati's largest infrastructure project is also one of Latin America's most ambitious. The company is building the Ferronorte railway which would connect southern Brazil by rail to the Amazon and to interior states where existing links are very poor.

The first section will run 200 miles inland from São Paulo state and is due to open during the first half of 1996. Itamarati has provided more than half the $625m needed for this.

Future stages would require more outside financing. Eventually, the railway could carve through northern and western Brazil, at an estimated cost of $2.5bn and, Itamarati estimates, make 2m sq km of farm land more accessible.

He believes, with a hint of visionary zeal, that Brazil's western states offer the same opportunities that were discovered in the US Midwest last century.

De Moraes says that farmers along the line, who now use costly and inefficient lorries, will immediately anjoy much cheaper and quicker transport for their rice and soya harvests. Although the projected route of the railway goes past Itamarati's farms, he says the project is important for the whole region rather than just himself.

"Our involvement in the project was important; it drew attention to the problems caused by the lack of infrastructure. But only a small proportion, at most 10 per cent, of what is carried on the railway will be Itamarati goods. The project is totally viable with or without the Itamarati group."

Outsiders are sceptical about how far the railway will stretch, especially given Brazil's habit of announcing huge projects which are never finished. But they agree that, given de Moraes' record, it is unwise to be cynical.

Considering Itamarati's size and range of businesses, it is surprising that the group has yet to develop outside Brazil.

De Moraes says he is now too old to consider a serious move abroad. He is also convinced that there are better opportunities in Brazil and that the country will soon stabilise its economy and rediscover growth. A new currency, the real, was launched last July and has led to a sharp fall in inflation, which had reached 50 per cent a month.

"The real has given people a glimpse of what it would be like to have a stable Brazil," he says. "The country managed to grow even when there was economic chaos. So imagine what could happen if we had stability; I think we would have enormous development."

Stability is a dream that he and countless other Brazilians have long harboured. But the chaos in their lives has not dented their patriotism.

"If I could start again knowing what I know now, I'd be 50 times richer," he says. "But I'd do it again in Brazil, which is still the best country in the world from my perspective. It's just that the people are no good!" he says, laughing for the first time.

NAMES IN THE NEWS

Maverick hunter of Swiss banking

Martin Ebner, the maverick Swiss stockbroker who is trying to take control of Union Bank of Switzerland, the country's largest bank, was recently referred to as the 'George Soros of Switzerland'.

It is a fairly apt comparison. Such is the 49-year-old Ebner's reputation for making big money for his clients that when he launched a new investment fund last April – even in the midst of a Swiss stock market slump – he pulled in SFr3bo within a couple of weeks.

Like Soros, he can also lose big sums. That fund launched in April, called Stillhalter Vision, has just reported SFr240m in unrealised paper losses in its first five months of activity.

But over the nine years since he left staid Bank J. Vontobel in Zurich, to prove that the Zurich market was ready for a professional block trader, Ebner has been phenomenally successful, both for himself and the dozen or so institutions and wealthy individual clients he serves.

His broker-dealer BZ Bank, now one of the biggest players in the Swiss market, achieved a profit of SFr161m last year, with a staff of only 19. BZ Trust, his asset management arm, has some SFr10bn under management.

Ebner personally may now figure in lists of Switzerland's richest people, but he remains an outsider by choice, refusing to join the Swiss Bankers Association or to hobnob with Zurich's financial establishment.

Friends and foes alike concur that Ebner has an extraordinary nose for market trends. "A genius," his former boss Hans-Dieter Vontobel says.

And he is widely respected for his willingness to take big risks – which he does every day as a block trader in Switzerland's relatively illiquid equity market.

But his advance on UBS has startled many. It is the first time he has shown a taste for political, as well as financial, risks.

Henry's growing hospitality

Saudi Arabia's Prince Al-Waleed Bin Talaal limited his comments on last week's purchase of a 25 per cent stake in the Four Seasons hotel chain to a couple of plain-vanilla sentences in a press release, writes Bernard Simon.

He left the rest of the explaining to Chuck Henry, a former investment banker who has emerged as chief dealmaker in propelling the prince into a sizeable player in the international hospitality industry.

Henry, 41, describes himself as "a consultant with a single client". He met Prince Al-Waleed a year ago, while he was a director with CS First Boston's hotel and real-estate division, which was advising Accor, the French group, and the prince on their (ultimately unsuccessful) bid for the Meridien botel chain.

Henry set np bis own company, Hotel Capital Advisers, in New York last July. He will supervise the prince's investment in Four Seasons.

It will come as no surprise if Henry emerges as one of the Saudi's two nominees on the Four Seasons board. "It's the hope of any investment banker to stop being a middleman and start being a principal," says Henry.

The Four Seasons deal comes on top of the 37-year old prince's investments in Citicorp and Euro Disney, among others, which fit his preference for capital-intensive, global businesses with strong brand names.

Henry also spearheaded the purchase last July of a 50 per cent stake in Fairmont Hotels, a smallish, San Francisco-based chain.

According to Henry, Prince Al-Waleed's interest in the hospitality industry was sparked two or three years ago.

"A lot of people" approached him to buy hotel properties during the recession, when real-estate – especially hard-hit hotels – were out of favour with investors.

The Four Seasons deal is unlikely to be either the prince's or Chuck Henry's last foray into the hospitality industry; Henry says more are in the pipeline.

Ford's Devine gear-change

John Devine must be something of a stranger at Ford's headquarters in Deerborn, Michigan, writes Richard Waters.

In the last 17 of the 27 years he has been with the US motor company, Devine has spent only six months in Deerborn.

Last week, though, he was propelled into Ford's top management team as chief financial officer.

His rise comes from an unlikely direction. For the past six years he has been head of First Nationwide Bank, an underperforming savings and loan subsidiary, which Ford is in the process of selling.

First Nationwide is the US's fifth-biggest S&L, having grown rapidly under Devine. However, it hasn't turned a profit for three years – unlike the auto maker's other, highly profitably financing and credit card units.

"Financial services have been a good business for some time – but the regulated banking business wasn't a good one for Ford," says Devine.

He is not specific about what went wrong, saying only that a highly-regulated industry like banking did not fit Ford well.

Prior to the First Nationwide interlude, Devine's resumé bore all the hallmarks of someone who was being prepared for higber things. He had spent time in Europe, where he rose to become controller of product development in 1981, and Asia, where he became president of Ford's Japanese business in 1986.

Given Ford's declared intention of integrating its different regional operations, that experience should certainly help.

Meanwhile, says Devine, there is one underlying objective: "We want to keep the profit momentum up – we don't want any let-up."

CONTRACTS & TENDERS

ARTS

LONDON COLISEUM
Ever since Chaliapin first sang the role, every operatic bass has wanted to play Don Quixote. On Saturday, for its second production of the season, English National Opera brings Massenet's "Don Quichotte" to London for the first time since 1912. A popular story, plus a subtle blend of comedy and sentiment, has made this opera one of the composer's most enduring successes. The producer at ENO is Ian Judge and the conductor Emmanuel Joel, with Richard Van Allan tilting at the windmills in the title-role.

ROME
Carlo Maria Giulini conducts the Orchestra dell'Accademia Nazionale di Santa Cecilia tomorrow at the gala re-opening of the Auditorio di Via della Conciliazione, Rome's main concert hall. The building, which the orchestra rents from the Vatican, has just undergone a $1.5m refurbishment, including acoustical adjustments.

COPENHAGEN
The distinguished Danish choreographer Flemming Flindt has turned his talents to opera for the first production of the new season at the Royal Theatre. He is staging the Danish premiere of Prokofiev's The Love for Three Oranges, which opens on Friday. The conductor is Jan Latham-Koenig, and the cast includes Mikael Melbye and Inger Dam Jensen.

LONDON WEST END
Jeremy Sams is winning a reputation as the rising Renaissance man of British theatre. He writes music (see "Arcadia"). He translates (the recent "Les Enfants Terribles" and English National Opera's revival of "The Magic Flute"). And he directs. His recent staging (and adaptation) of the Chabrier opera "Le Roi malgre lui" has just entered Opera North repertory; his staging of "Neville's Island", by Tim Firth, was a hit at the Nottingham Playhouse this January and opens at the Apollo Theatre, Shaftesbury Avenue, tonight. Quite a range for a man who only began directing in 1992.

NEW YORK
A survey of Italian visual arts in the postwar period opens at the Guggenheim Museum on Friday. Entitled The Italian Metamorphosis 1943-68, the exhibition focuses on a period when Italy became a leading exporter of culture, and Italian design and style became synonymous with innovative quality. It will include Arte Povera paintings, fashion designs by Valentino (right), models of significant architectural monuments, artists' jewellery and cinema.

In defence of theatre

Director **Richard Eyre** warns that the creeping virus of opportunism has infected one of the great glories of British cultural life

There are a lot of good reasons for not going to the theatre. For a start, you have to turn up on time and sit in the dark without talking for longish periods. I know many people who find this an insupportable restriction of their freedom. I once spoke to the financier James Goldsmith in the hope of luring him into sponsoring a play at the National Theatre. "I never go to the theatre," he said. "My legs are too long."

And I have a friend, a film director, who hates going to the theatre because it is all in wide-shot. Many people prefer the cinema for its solitary, dreamlike disengagement. John Updike says: "I've never much enjoyed going to plays. The unreality of painted people standing on a platform saying things they've said to each other for months is more than I can overlook."

For me this is missing the point; it is the re-creation that animates the art and makes it unique. Theatre will always be unfashionable because of its form, its need for order in narrative and in structure, and it will always lag behind a society that is conspicuous for its formlessness. The theatre's concern with the frailty of being human will always look defenceless when set against *Mad Max III*, *The Exterminator*, or the confident certainties of politics or journalism.

What I like about the theatre is precisely what some people hate about it. I like being made to concentrate. I like the fallibility that goes hand in hand with its immediacy. I like the *fact* that it happens in the present tense, that it is vulnerable and it is changeable. I like its sense of occasion, the communal event: going in as an individual and emerging as part of a group. I like sharing time with strangers: a beginning and an end, a sense of birth and a sense of death. And I like the singular combination of magic and moral debate.

There is no art that uses time, space, gesture, movement, speech, colour, costume, light and music in the way theatre does. It thrives on metaphor: things stand for things rather than being the thing itself, a room becomes a *world*, a *group of* characters a whole society. Theatre invokes the astonishment of the unreal and the strange, magnified proportions that occur naturally in childhood.

The British are supposed to have the finest theatre in the world, perhaps because so many of the characteristics of the medium coincide with characteristics of the nation. The theatre exploits ritual, processions, ceremonies, hieratic behaviour and dressing up; it depends on adversarial conflict, the stuff of our parliamentary and legal system, and it is concerned with role-playing, which is second nature to a nation obsessed with the signs and manners of class distinction, and inured to the necessity, as a nation and as individuals, of pretending to be what you aren't.

But today the theatre's ecology and economy have started to resemble those of the country as a whole; it has become infected by the virus of opportunism. A kind of impatience has grown: actors and directors who might previously have been content to do a year or two in a repertory theatre have begun to look anxiously for jobs in TV, in films, or the national companies, and the previous de facto form of apprenticeship for actors in smaller repertory theatres has started to disappear – as has the unspoken sense of shared experience between theatres in Newcastle, Nottingham, Exeter, Birmingham and London.

A feeling has grown like a debilitating fungus that maybe these theatres aren't worth saving, and maybe this park serves no useful purpose, and maybe this hospital should be closed down, and maybe we can't justify these courses for adults, and maybe we don't need all these people who don't have jobs and take up all this space and all this money.

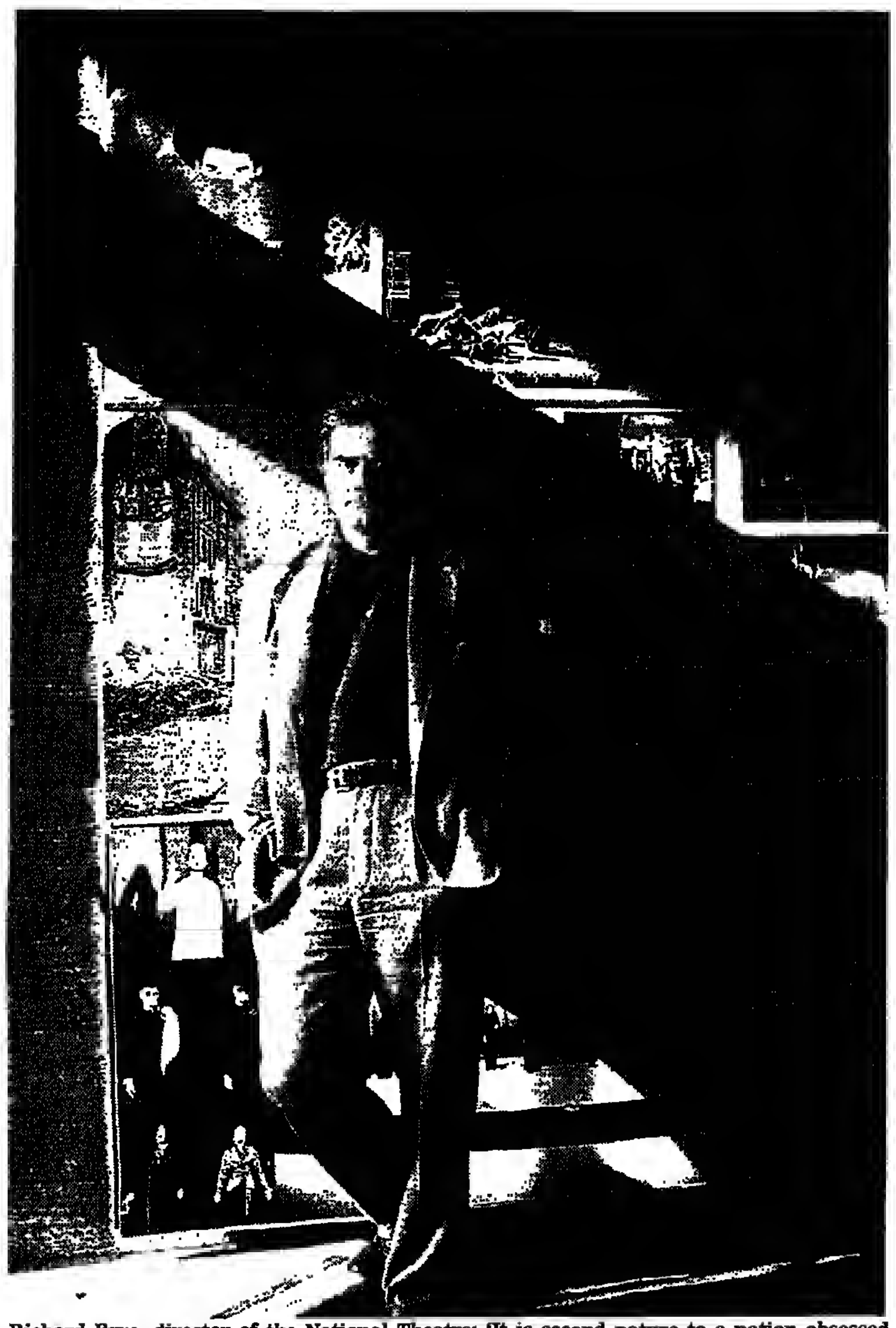
I don't believe that it is possible to retrace the steps of the last few years, to perform a sort of social surgery that would change our hearts and minds. We are what we are, and it is we who have made our world as it is. The gift of the post-war era was the promise of freedom: political, and economic, and sexual. It was an illusion: we are prisoners of our own social and economic structures.

But the fact we know it was an illusion shouldn't stop us from wanting a better world with our limited resources. We are not a poor country. The leading Romanian actor and director Ion Caramitru told me in shocked tones, expecting my sympathetic support, that he had only 2 per cent of the public spending budget of Romania to spend on culture. Ah, I said, if only we had that much.

I always took Margaret Thatcher's dictum "There's no such thing as society," as a figure of speech. I didn't realise that she was so literal, so serious, and so determined to prove her proposition. Her legacy is a sort of political epidemic, a determination to subject every organisation, every institution, to ideological reform at best, abolition at worst, all driven by the Three Horsemen of the contemporary Apocalypse: money, management and marketing.

I'm not playing naive if I say that I really don't understand why the government doesn't support the arts more fully, but then I'm no more able to understand why the government can't see that education is the key to our future, and that those who work in education might know as much about it as the politicians. We mustn't let scepticism, cynicism, or apathy lead us to be mute in the face of any attempts to dismantle those organisations and institutions which were set up in the spirit of optimism and belief that there is such a thing as society.

**Abridged from Misdirections, to be published on October 27 in a revised edition of Utopia and Other Places by Richard Eyre (Vintage £6.99, 220 pages).*



Richard Eyre, director of the National Theatre: 'It is second nature to a nation obsessed with class distinction and offers the singular combination of magic and moral debate'

London concerts

Wagner in period

Performances on "period" instruments are catching up with musical history. A movement that initially concerned itself with Baroque and Classical repertory has now encompassed the early Romantic period. Under Roger Norrington, the London Classical Players have been steadily exploring the 19th century, and on Saturday at the Queen Elizabeth Hall they stepped further into the "unknown" with the culminating Romantic composer: Richard Wagner.

The occasion was Norrington's "Wagner Day", devised as an exploration of German Romantic music parallel to the South Bank's *Deutsche Romantik* exhibition. Its aims were more modest than his previous, celebrated "Experience" weekends, and no attempt was made to cover the range of the Heyward show – that would have meant playing Mozart through to Stockhausen. Rather, Saturday's events focused on the half-century from the death of Beethoven to that of Wagner, and we were restricted to small bites: two talks and two short concerts of chamber music contrasting one early and one late Romantic, Schubert and Liszt; there was no room to explore the darker side of Wagner's Romanticism.

The revelations all came in the evening's concert, the first half of which consisted of overtures by Beethoven (*Coriolan*), Weber (*Freischütz*), Mendelssohn (*Hebrides*) and Schumann (*Genoveva*), played on instruments of the mid-to-late 19th century, as Wagner would have heard them. After the interval, Norrington picked up the threads with the Overture to *Rienzi* (written in 1840, seven years before *Genoveva*), in a thrilling performance where smaller-scale – though never undernourished – climaxes were punctuated by clanging cymbals and shrieking piccolo. Orchestra and conductor clearly relished their new challenge, and communicated their sense of discovery to the audience.

But giving Wagner the "period" treatment means more than playing on gut strings with no vibrato: since the composer's death, performances of his music have become markedly slower, and Norrington's re-thinking of tempos provided the greatest insights. By observing that the 6/8 time signature in the *Tristan* Prelude means two beats per bar, Norrington got away from the now-customary, cloying six, and in the process gave a performance full of surging passion. In adhering to Wagner's own timing for the *Meistersinger* Prelude, he produced a refreshing, animated account that underlined the opera's comic spirit.

We also heard the Preludes to *Parsifal* and Act 3 of *Lohengrin*. Now we must hear whole operas: arguments about the size of Wagner voices today would perhaps be settled, and – were Norrington conducting – opera houses might save on their overtime bills.

John Allison

Colourful Berlioz

A decade or so ago the BBC Symphony Orchestra would probably have called its exploration of the music of Hector Berlioz, which began in the Royal Festival Hall on Saturday, simply "Berlioz Series". These days, in deference to the marketing men, such projects have snappy titles, often only tangentially relevant. In this case, however, the title "Reinventing the Orchestra" actually encapsulated Berlioz's achievement as a creator of sounds and colours which until then had been essayed only tentatively by his contemporaries.

For Berlioz, orchestration was an integral part of music. His artistic intentions in the *Symphonie fantastique* – not least its autobiographical content – were made explicit by the composer. Yet there is no sense in which Berlioz's orchestral technique, even at this early stage in his career, lags behind his poetic vision. He may have become more resourceful as he grew older, as was evident by the nimbly delivered *Corsair* overture which began the evening, but the orchestral effects of the *Symphonie* are precise, from the Chiaroscuro delicacy of the opium-induced "Reveries" to the brashly scored nightmare of the "Witches' Sabbath". Given the hackneyed status of the work, Andrew Davis and the BBC Symphony Orchestra turned in a surprisingly fresh and powerful performance, notable for the assurance of the solo instrumental contributions and the cohesion of the ensemble work.

Berlioz's legacy continues in the importance which many of today's composers attach to sound as pure sensation. Future concerts in the series (7 and 10 October) will include works by two of Scandinavia's leading young composers, Magnus Lindberg and Kaija Saariaho, already well known in the UK, for whom colour is indispensable. On Saturday it was the turn of the Dutchmen Tristan Keuris, whose Concerto for Saxophone Quartet was receiving its belated London premiere eight years after it was completed. Despatched with virtuosity by its dedicatees, the Rascher Saxophone Quartet, it emerged as an attractive, rumbustuous *jeu d'esprit*, overlong perhaps, but teeming with incidental detail and displaying an orchestral facility of which Berlioz himself might have been proud.

Antony Bye

INTERNATIONAL ARTS GUIDE

■ BERLIN

OPERA/DANCE

Deutsche Oper John Dew's new staging of Andrea Chenier can be seen tomorrow and Sat. Rafael Frühbeck de Burgos conducts a cast headed by Lisa Gasteen, Richard Margison and Alexandru Agache. Repertory *also includes* Fidelio, Die Zauberflöte, Der Rosenkavalier and a Balanchine programme (341 0249)

Staatsoper unter den Linden A new production of Rossini's Tancredi can be seen in two different versions this week - the Ferrara version tomorrow with Jochen Kowalski and Lynne Dawson, and the Venice version on Thurs and Sat with Kathleen Kuhlmann and Jeffrey Francis. Both are conducted by Fabio Luisi and staged by Fred Berndt. Repertory also includes Der Freischütz and *Roland Petit's ballet* Dix (200 4762/2035 4494)

Komische Oper Harry Kupfer's new production of Berthold Goldschmidt's 1932 tragi-comic opera Der gewaltige Hahnrei can be seen on Fri and Oct 14. Repertory also includes The Bartered Bride, Così fan tutte, Cav and Pag, La Cenerentola and Die Zauberflöte (299 2555)

CONCERTS

Schauspielhaus Today at 3.30pm: Michael Schoenwandt conducts Berlin Symphony Orchestra and Philharmonic Chorus in Beethoven's Ninth Symphony. Tomorrow: Peter Schreier song recital. Wed: Horia Andreescu conducts Bucharest Radio Symphony Orchestra in works by Enescu, Tchaikovsky and Dvorak, with piano soloist Christian Bedl. Wed (Kammermusiksaal): Nancy Argenta song recital. Fri and Sat: Olaf Bär (2090 2156)

Philharmonie Tomorrow: Anne Sophie Mutter. Wed: Jessye Norman. Thurs: Alfred Brendel. Sat: Georg Fritsch conducts Berlin Radio Symphony Orchestra in works by Dvorak, Prokofiev and Ravel. Sun: Berlin Baroque Orchestra presents Monteverdi's L'incoronazione di Poppea. The Berlin Philharmonic Orchestra is on tour in Japan. Its next Berlin concerts are Oct 21, 22 and 23 (2548 8132)

■ NEW YORK

THEATRE

● Uncommon Women And Others: a revival of Wendy Wasserstein's play about friends at a small New England women's college, who meet for tea and then for a reunion six years later. A Second Stage Theatre production directed by Carole Rothman. In previews, opening Oct 26 (Lucille Lortel, 121 Christopher St, 239 6200)

● Three Tall Women: a moving, poetic play by Edward Albee, dominated by the huge, heroic performance of Myra Carter. She, Jordan Baker and the droll and delightful Marian Seldes represent three generations of women sorting out their pasts (Promenade, 2162 Broadway at 76th St, 239 6200)

● Angels in America: Tony Kushner's epic conjures a vision of America at the edge of disaster. Part one, Millenium Approaches, and part two, Perestroika, are played on separate evenings. The cast includes F. Murray Abraham (Walter Kerr, 219 West 48th St, 239 6200)

● Philadelphia, Here I Come!: Roundabout Theatre Company's revival of Brian Friel's 1964 Irish drama, with Milo O'Shea, Robert Sean Leonard, Jim True and Pauline Flanagan. Directed by Joe Dowling. Ends Oct 23 (Roundabout, Broadway at 45th St, 869 8400)

● An Inspector Calls: J.B. Priestley's 1947 mystery thriller in a stunning re-interpretation by Stephen Daldry, first seen at Britain's National Theatre (Royale, 242 West 45th St, 239 6200)

● Guys and Dolls: a top-notch revival of the 1950 musical about the gangsters, gamblers and good-time girls around Times Square (Martin Beck, 302 West 45th St, 239 6200)

● Carousel: Nicholas Hytner's National Theatre production from London launches the 1945 Rodgers and Hammerstein musical towards the 21st century (Vivian Beaumont, 150 West 65th St, 239 6200)

● *Kiss of the Spider Woman*: pop star and ex-Miss America Vanessa Williams has taken over the title role in the long-running Kander and Ebb musical directed by Harold Prince (Broadhurst, 235 West 44th St, 239 6200)

● Crazy for You: Gershwin's tunes and Susan Stroman's choreography are the central pleasures of this light and frothy entertainment, now in its third year on Broadway (Shubert, 225 West 44th St, 239 6200)

● Blood Brothers: Willy Russell's musical about twins who, separated at birth, eventually meet and fall in love with the same girl. The cast includes Carole King (Music Box, 239 West 45th St, 239 6200)

● Stomp: a loud, energetic and wordless movement-theatre show in which a troupe of performers dance, clap and generally bang on everything in sight. Far more engaging than you might expect (Orpheum, 126 Second Ave between 6th and 7th Streets, 307 4100)

MUSIC

Metropolitan Opera Highlights are Idomeneo tomorrow and Fri starring Placido Domingo, and Tosca on Wed and Sat with Carol Vaness, Luciano Pavarotti and Sherrill Milnes. This month's repertory also includes Rigoletto, La boheme, Arabella and Le nozze di Figaro. The first new production of the season is Shostakovich's Lady Macbeth of Mtsensk, opening Nov 10 (362 6000)

State Theater New York City Opera's autumn season runs till Nov 20. This week's performances are daily except tonight and Wed, and feature Borodin's Prince Igor, Il barbiere di Siviglia, Carmen, Mefistofele, Tosca and Delibes' *Lakmé. Prince Igor is a new* production conducted by Guido Ajmone-Marsan and choreographed by Damian Woetzel of New York City Ballet (670 5570)

Avery Fisher Hall Kurt Masur conducts this week's New York Philharmonic concerts. Tomorrow: Dvorak overtures and Prokofiev's Fifth Symphony. Thurs, Fri, Sat: works by Minoru Miki and Rimsky-Korsakov (675 5030)

■ PARIS

CONCERTS

Théâtre des Champs-Elysées Franz Welser-Möst conducts the London Philharmonic tomorrow in works by George Benjamin and Beethoven, with violin soloist Gil Shaham. Anne Sophie Mutter gives a violin recital on Wed. Bruno-Leonard Gelber plays Beethoven piano sonatas on Sun morning (4952 5050)

Salle Pleyel Semyon Bychkov conducts Orchestre de Paris in Mahler's Fifth Symphony on Wed and Thurs. Jacques Mercier conducts Orchestre National d'Ile de France on Sat in works by Debussy, Boulez and Dutilleux (4563 0796)

OPERA

Bastille Bob Wilson's version of Madama Butterfly can be seen tomorrow, Thurs and Sun afternoon, with Miriam Gauci in the title role (continues till Oct 22). Simon Boccanegra, conducted by Myung-Whun Chung and staged by Nicolas Brieger, can be seen on Wed and Fri (till Oct 14), with cast headed by Vladimir Chernov, Kallen Esperian and Roberto Scandiuzzi (4473 1300)

***Châtelet** The new Ring production* continues with Siegfried on Oct 14 and Götterdämmerung on Oct 16. There will be two complete Ring cycles between Oct 31 and Nov 13 (4026 2840)

DANCE

The Paris Opéra Ballet's 1994-5 season opens at the Bastille on Oct 25 with Grand Défilé followed by Balanchine's Le Palais de cristal to Bizet, The Four Temperaments to Hindemith, and Jerome Robbins' Glass Pieces to Philip Glass (12 performances till Nov 17). The season also includes a young dancers programme, Nureyev's production of Swan Lake, a mixed bill including works by Balanchine and Martha Graham, John Neumeier's Magnificat and a Nijinska-Nijinsky programme (4742 5371)

JAZZ/CABARET

American blues singer/guitarist David Dee is in residence this week and next at Lionel Hampton Jazz Club. Music daily from 10.30pm to 02.00am (Hotel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042). Joshua Redman Quartet plays next Mon at Théâtre de la Ville (4274 2277)

FESTIVAL D'AUTOMNE

Highlights include Peter Stein's Moscow staging of the Oresteia (Oct 9-15), a Bob Wilson adaptation of Dostoyevsky (Oct 11-23), Robert Lepage's Seven Streams of the River Ota (Nov 18-26), and The Merchant of Venice directed by Peter Sellars (Dec 6-17). The dance programme is headed by Trisha Brown Dance Company (Nov 3-12), *and there is a special focus on the* music of Gyorgy Kurtag (Festival d'Automne à Paris, 156 rue de Rivoli, 75001 Paris. Tel 4296 1227 Fax 4015 9288)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1615, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Samuel Brittan

Salzburg sound of economic music

When I recently arrived in Salzburg for a symposium on European unemployment, I had a shock as I crossed the bridge into the city. For the fortress seemed to have gone psychedelic in a variety of brilliant colours. There was the old grey, an area repainted in brilliant white, which was supposedly the original colour, and an intermediate area covered by builders' green netting.

Yet this variety of colour in some ways symbolised our work. For thanks to the initiative of Professor Herbert Giersch of Kiel, a founding member of the German Council of Economic Advisers, 10 economists from a wide range of the political spectrum managed to agree on a common manifesto. They included Richard Cooper, a former Carter appointee, Patrick Minford, who was close to Margaret Thatcher, and Wolfgang Rieke, recently of the Bundesbank.

The Salzburg manifesto pinpointed three "proximate roots of high unemployment": pay and associated labour costs which price workers out of jobs; intermittent periods of low demand growth; and capacity shortages which emerge in many countries in the recovery phases while unemployment is still high.

Unlike some market economists, the Salzburg authors admitted that forces such as globalisation and technical change had an adverse effect on unskilled workers, which showed itself in unemployment in Europe but in low pay in the US. Nevertheless we rejected any kind of protection to keep out imports from poorer countries, and wanted to tackle the problem of low pay by persuading other citizens to "use the tax and transfer system to top up low incomes by direct payments".

These principles are the key. For the practical application must vary from country to country and would require many pages of institutional detail. To the extent that unemployment is a structural problem, it cannot be tackled by a single brushstroke measure such as leaving or joining an exchange rate arrangement.

In the end we agreed on nine points:

- There has to be an appropriate macro-economic background. "Inflationary dashes for growth should be strictly avoided. But once inflation is at low levels, monetary authorities have as much responsibility for avoiding nominal demand deficiency as inflationary excess." There was a specific recommendation that "the European Monetary Institute should monitor the development of nominal gross domestic product at an EU level".
- Labour markets have to respond more quickly to market changes. I cannot claim that we solved the problem of why pay and associated costs are so often above market levels. But the manifesto urged that settlements reached by collective bargaining should not rise in real terms in the years to come so that productivity growth could be translated into an expansion of employment.
- "Equal pay for equal work" stands in the way of full employment. This was not an anti-feminist rearguard action, but a reference to the need to take on new workers at less than existing pay rates, to try to combine pricing into jobs with the realities of insider power of those already at work.
- The market incomes of unskilled workers in the west are likely to move nearer to those in developing countries. But there would be levelling up as well as down. Moreover as real income in advanced countries would benefit from the extra trade, there would be a surplus to channel towards those most hard hit by economic change.
- There is a need to invest in human capital to reduce present disparities in earning power. The Salzburg writers gave the theme a new twist by rejecting "credentialism" – that is multiplying the paper qualifications – and urging credit vouchers for trainees.
- Physical investment is needed too – but not generalised fiscal subsidies, which too often encouraged capital-intensive projects. The best contribution governments could make was to reduce their own structural budget deficits.

In a carefully negotiated aside we noticed "that a Japanese current account surplus – provided it is not achieved at the expense of a depressed economy – is a contribution to world savings". This was not a digression but recognised the inter-relationship of world capital markets and world real interest rates.

- Top-up payments for low-income households are preferable to other devices such as minimum wage legislation or high benefits. But to carry the more hardline German participants we had to underline in several different ways that these top-up payments would be subject to means tests.
- There should be no link between the dole and previous earnings if the benefit is financed from taxation.
- There is a risk that the social chapter of the Maastricht treaty will limit employment "and should be watched carefully". Agreeing this point was some achievement among 10 signatories, only two of whom were British and half of whom were based in Germany.

Many heartaches could be saved if a German government had the courage to take the same attitude in European political discussions.

Contest for your conversation

Cable companies and BT are in fierce competition in the UK telephone market, says **Andrew Adonis**

Telephone calls in the UK are becoming as competitive as soap powders – and the difference between rival "brands" is about as great.

Last week saw the launch of two long-distance telecommunications networks. Energis and NTL join Mercury and BT in Europe's most competitive long-distance phone market.

But competition is also opening up for the first time the local telephone market as across Britain cable companies dig up the streets, laying combined cable television and telephone networks.

What does this rapid rise of cable telephony mean for the consumer? And does it spell serious trouble for the future of British Telecommunications, which until a decade ago had a complete monopoly over the UK's phone service?

BT proclaims the cable companies to be its most serious long-term threat. Mr Michael Hepher, BT managing director, says: "Whereas with Mercury we lose the long-distance revenue but keep the line connection, with the cable companies we lose not only the revenue but also the connection – and with it the opportunity to sell and market all our services."

His fears have foundation. The cable companies now boast more than 500,000 telephone customers, double the number a year ago. Although the cable operators are generally called "cable TV companies", this is a misnomer since telephony is almost as important to them as television.

They are marketing the two services hand-in-hand, and revenue from both is critical to the economics of laying a second cable into the home. Of the three largest cable operators in the UK, Nynex is a regional phone operator in the US, while the other two, Telewest and Bell Cablemedia, are joint ventures between telecommunications and cable companies.

Analysts predict that by 2000 the cable companies will have installed nearly 5m phone lines – against BT's current total of 26m. Some cable operators already have more telephone than TV subscribers. Nynex, the second largest operator, claims that 25 per cent of the homes within its Portsmouth network area now take cable telephone, against 22 per cent taking cable TV. A year ago, 58 per cent of new customers were taking both products; now it is up to 70 per cent.

The social make-up of cable customers is changing too. In the early days, when cable was clearly TV-led, it had strongest appeal in areas of low-income housing, where the extra TV channels were especially popular. Telephony is broadening cable's appeal. "At the prosperous end of the demographic continuum we are now selling well above average," says Mr Peter Lynch, director of residential marketing at Nynex. Sales are below average among older residents, "but it is more a concern about change, not a clear socio-economic divide", he believes.

In response, BT has set up "cable defence" teams to target urban areas where cable companies are building their networks. It has also launched a high-profile campaign to persuade the government to lift the ban preventing it from carrying broadcast television across its network into homes.

BT executives are additionally concerned that, as price competition with cable companies intensifies, BT will not be able to vary its prices regionally as the cable companies do. BT is required by its licence to charge the same for a local call in Portsmouth as in the large London calling zone.

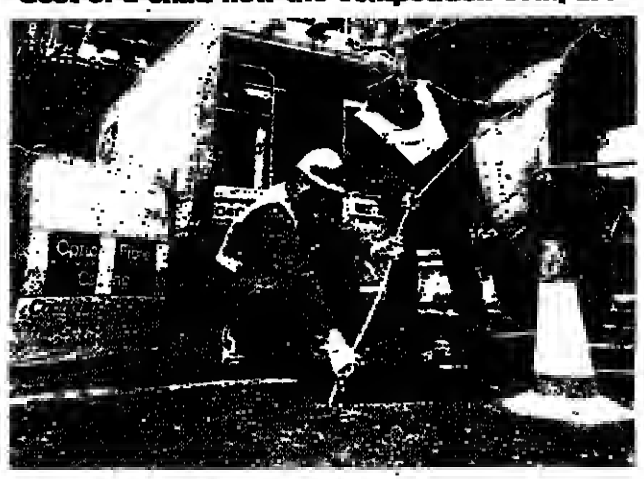
Yet BT probably protests too much.

Take prices. Cable companies invariably claim to be cheaper than BT. In reality, however, they are often more expensive. Many customers are seduced by initial savings on line rentals, which are invariably cheaper with cable than BT, and by cable operators' claims that they are cheaper for a "typical" residential phone bill.

Since the cable companies have different tariffs, it is impossible to generalise. The chart compares the weekday residential tariffs of Videotron, a cable operator covering much of London and Hampshire, with those of BT and Mercury.

Videotron is more expensive than BT for many national calls made during the day. Mercury – accessed through a BT line – is far cheaper than Videotron for all long-distance calls. Moreover, Videotron's cheap rate starts much later in the evening than that of BT or Mercury – an hour later for local and national calls and two hours later for European calls. So Videotron customers may unwittingly find themselves paying more than twice the BT rate for a call unless they look at the detail behind the company's claim to be "at least 10 per cent cheaper" than BT for a "typical" bill.

Cost of a chat: how the competition compares



Weekday 3 minute call (pence)

	Videotron	Mercury	BT
Local			
Daytime	12.3	–	14.8
Evening	4.9 (after 7pm)*	–	4.9
Over 35 miles			
Daytime	33.6	24.7	29.6
Evening	16.0 (after 7pm)	14.1 (after 6pm)	19.7 (after 6pm)
London-Paris			
Daytime	102.2	95.5	108.6
Evening	84.6 (after 8pm)	79.7 (after 8pm)	88.8 (after 8pm)

Source: Company reports

* Free for calls between Videotron subscribers

BT proclaims the cable companies to be its most serious long-term threat

BT is being forced to slash its prices by Oftel, the UK industry regulator. In the process it is putting greater pressure on its competitors as they seek to maintain price differentials. As the existing differential narrows, so does the incentive for customers to switch from one supplier to another.

AT&T, the largest US operator, has made great play of the trifling savings to be made by switching to its competitors – and its discount plans, available to most customers, are cleverly designed to boost loyalty. BT, which last year forged an alliance with AT&T's principal rival, MCI, is fast learning the tricks of the US pricing and marketing trade.

The numbers of cable subscribers cited above also need to be put in perspective. BT still has 85 per cent of the UK's telecoms market. It is currently adding new lines at a faster rate than the cable companies: its net monthly growth is about 60,000 lines, against less than 40,000 for the cable companies. BT's mobile phone offshoot, Cellnet, has 1.2m subscribers – more than twice as many as all cable phone users put together.

Furthermore, the ban on BT carrying entertainment is unlikely to endure indefinitely. The House of Commons trade and industry select committee recently urged the government to set a firm date of 2002 for lifting the ban nationwide. The Cable Television Association accepts that the cable industry has little to gain from continued uncertainty and supports an eventual end to the ban.

The challenge for the cable companies is to become more than "cheap BTs" in their role as telecoms suppliers. On the residential side, pay-per-view and video-on-demand services across telecoms wires are being tested, with operators promising commercial services in the near future.

If the cable companies can provide interactive services giving customers access to Hollywood movies and home shopping soon, they will steal a march on BT. But dates are vague, and prices have yet to be revealed.

At the outset, cable operators concentrated on the residential market, where joint marketing of TV and telephony appeared to have most to offer. However, they are now also taking the business sector seriously. London's operators have come together in a "London Interconnect" consortium, offering data communications services. Videotron, which holds a telephony franchise in Westminster and the City, has launched a desktop television/information service, upgrading personal computers with a card that gives users access, on their screens, to TV channels and information databases such as a new Reuters service.

But the corporate sector is the fiercest part of the telecoms market. It will be an uphill struggle to win a big share of business against the many new operators – most of them US-owned – building networks and offering services.

That leaves the residential sector, where the cable companies are the only phone operators besides BT with their own fixed networks. For the domestic consumer, competition means greater downward pressure on prices and in time a wider range of services – some compensation for the bulldozers blocking the pavements.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

High-speed rail still an option in US

From Mr Joseph S. Silien.

Sir, Richard Tomkins concluded in his article, "Fast trains are a long time coming" (August 29), that in the US "it is now accepted that the private sector alone will not build high-speed railways".

His conclusion is correct. However, his assertion that the problem facing US high-speed rail projects is that "most Americans never take trains" is off the mark. Where frequent, convenient, and comfortable service is offered, Americans will ride trains in great numbers. This is evident on at least four popular Amtrak routes – New York to Washington, New York to Albany, Chicago to Milwaukee, and Los Angeles to San Diego. But the service must be offered in order to attract passengers.

Over the past two decades, the US preoccupation with high-speed rail has been focused on multi-billion dollar dedicated right-of-way solutions based on the Japanese, French and German models. All of these projects, requiring huge investments, have failed.

Neither the private nor the public sectors can or will raise the funds necessary for such expensive undertakings. Operating high-speed rail service on existing track has come to be recognised as an achievable solution. This "incremental approach" is based on the successful Swedish model. Tomkins is correct in saying this is not easily done. But combining service-proven tilt trains like X 2000 with the upgrading of existing track, new signalling to govern high-speed trains, improved crossing protection, even the addition of entirely new track to increase capacity – all are affordable when compared with the cost in dollars and in time of building new railroads for high-speed trains.

The Northeast Corridor linking Boston, New York, and Washington will be the first US high-speed rail corridor developed using the "incremental approach". I believe that its inevitable success will be a model for other projects around the US.

Joseph S. Silien,
vice president, business development,
ABB Traction Inc,
1818 Market Street,
Suite 3750, Philadelphia, US

The market always wins

From Mr Stephen Butler.

Sir, Samuel Brittan, in "Calling the bond market bluff" (Economic Viewpoint, September 29), is either not saying anything or he is saying something wrong.

In judging whether anticipated levels of inflation require monetary tightening, it is of course always tempting for any individual – not just central bankers – to imagine that he or she has stumbled upon an indicator which knows better than the market as a whole. No sensible person denies that this is possible.

The real question is: which do you find, on average, to be more trustworthy – the combined judgment of thousands of such individuals, or that of one or a few who have got themselves installed by politicians in central banks?

The Alan Greenspans of this world, who might actually see something on the horizon that the rest of us miss, will unfortunately always be rare birds; and nothing good can come of flattering central bankers that they share such vision.

Mr Brittan should not need to be reminded that, on average, the daily plebiscite of expert opinion that is a market will always beat any one guess at what will happen next.

The principal danger of central banking is not that one might begin to follow this opinion, "as if it were the word of God" – it is rather the risk of becoming too sure of one's own predictive abilities, and attempting to play that mighty role oneself.

Stephen Butler,
Jesus College,
Cambridge
CB5 8BL

Keep India plague in perspective

From Dr Shobhana Madhavan.

Sir, I warmly congratulate you on the sensitivity and practicality of your editorial, "Don't panic" (September 28). Would-be travellers can feel reassured, and many Indians will be glad to see the image of "pestilence-stricken multitudes" put for once in a proper perspective.

Shobhana Madhavan,
28 Newburn Street,
London SE11 5PJ

No pact in Mauritius

From Dr Navin Ramgoolam.

Sir, I was proud that Mauritius should emerge with such warm approval from the pages of your newspaper (Survey, September 27).

The achievements of the Mauritian people since independence are such that the nation can be justly proud of them. It is generally the lot of a small country (as the recent experience of Haiti shows) only to come to international attention after natural disasters or political strife. But the success of Mauritius is underpinned by its people's belief in democracy and law. It is the patient achievement of countless thousands of Mauritians, often in spite of official discouragement. This success has not been created in 10 years and cannot be claimed exclusively by the present government or its prime minister.

Moreover, as your correspondents remark, underlying this improvement is a serious and growing concern. For although the Mauritian people have not lost faith in democracy, it is widely believed – from numerous instances – that the government of Mauritius has.

At the last election in 1991, I called publicly for international observers because I believed then that electoral malpractices were bound to occur. The prime minister refused this request. I and others have renewed that call because the dangers we perceived have not diminished. The prime minister has recently announced, after strong pressure, some changes in the electoral procedure which would help to safeguard its integrity. We do not believe that is enough. Public confidence in the transparency of elections must be fully preserved if improvements which your correspondents found on their recent visit are to be maintained.

Finally, may I take this opportunity of stating that, contrary to what your survey states, no pact between me and the prime minister, whereby the prime minister would remain in office for several years, has been agreed, nor would any such agreement be acceptable to me, the party I lead, or the vast majority of the Mauritian people.

Navin Ramgoolam,
leader of the opposition,
85 Sir S Ramgoolam St,
Port-Louise,
Mauritius

Capital gains proposal would encourage retention of shares

From Mr H M F Simpson.

Sir, The Confederation of British Industry's proposal for the coming Budget that long-term shareholdings should be free of capital gains tax is welcome ("CBI calls for £1bn support in Budget", September 28). One effect would be to encourage senior executives who receive shares through executive options or other incentives to hold on to them.

The CBI, in its May 1994 paper on long-term remuneration for senior executives, wishes directors to be "encouraged" to retain their shareholdings, but there is no effective way in which this can be done. Companies cannot force executives to retain their shares if they have been obtained through a tax approved option scheme as the Inland Revenue regards this restriction as contrary to the Taxes Act.

But a long-term CGT-free opportunity of, say, 10 years, would be exactly what is required to promote share retention by executives.

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FINANCIAL TIMES

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Back from the brink

Judged by what might have happened, this weekend's US-Japanese trade agreement marks a victory for common sense. The two sides have averted the immediate danger of a trade war which would have seriously damaged the global economy and sent shockwaves through financial markets. They have also refrained from resorting explicitly to managed trade, which would oblige Japan's government to deliver a fixed share of its national market to US exporters, at the expense of other trading partners. Instead, there is at least a possibility that the agreement may pave the way for beneficial Japanese liberalisation on a multilateral basis.

However, the deal marks a truce, not an armistice, in the hostilities which have embittered US-Japanese relations and bedevilled the world trade system for almost a decade. The risk of a renewed flare-up remains, most obviously over cars and car parts, where no agreement *has* been reached. Here, the US continues to brandish the threat of eventual trade sanctions, albeit in the form of its Section 301 legislation, rather than of the more draconian Super 301 mechanism. Much more remains to be done by the US and Japan if a durable return to stability in the world trade system is to be assured.

The most encouraging augury – and the breakthrough which unlocked agreement at the weekend – is the US decision to abandon its insistence on quantified measures of foreign penetration of Japanese markets. Tokyo had rejected these demands from the outset, on the grounds that they amounted to numerical import targets. Though Washington denied this, it failed to dispel suspicions that it was seeking to coerce the Japanese government into cartelising its market for the benefit of US exporters.

Competitive access

Instead, the negotiators have agreed on a combination of actions by Tokyo to enhance competitive access by increasing market transparency and relaxing regulatory restrictions, notably in telecommunications, medical equipment and insurance. The agreement also envisages that the benefits of such liberalisation should be available to all foreign competitors, not just US producers.

As well as honouring its commitment to *greater* openness, Tokyo needs firmly to entrench the principle of multilateralism. Failure to do so would invite accusations of favouritism from other trading powers – notably the EU – and pressures to reach bilateral deals with them which would fragment the global trade system. The most effective solution is for Japan to table this weekend's concessions in the Gatt. Japan should also demand that the US seek to resolve any future bilateral trade differences through negotiation in the World Trade Organisation – or, if necessary, through the strengthened dispute settlement procedures planned for the body.

Uruguay ratification

The priority for the US should be to facilitate that course by swiftly ratifying the Uruguay Round world trade agreement. The deal with Japan should help that process in two ways. First, it removes a distraction which has absorbed far too much of the Clinton administration's political energy; second, to the extent that it redeems the administration's reputation for inept and irresolute handling of international economic policy, it should strengthen its hand in dealing with an increasingly recalcitrant Congress.

Nonetheless, the hurdles to ratification remain daunting. Even if the administration can overcome the recent delaying tactics of Senator Ernest Hollings, the chairman of the Senate commerce committee, Congress seems unlikely to vote on the Uruguay Round until after the November elections. There is a risk that virulent partisanship could then induce many Republicans to vote against the round simply to frustrate the administration's agenda.

President Bill Clinton has compounded his difficulties by not selling the round aggressively enough to Congress and the American people. He needs to build swiftly on this weekend's agreement by spelling out clearly what is at stake. No US congressman should be left in doubt about the size of the gains which the Uruguay accord offers the US economy – or of the costs if it were allowed to fail.

A private nuclear future

The review of the nuclear power industry which the UK government has been conducting over the past four months has thrown up many complex and emotional issues. But they can all be boiled down to two basic questions. Does the UK need to build any more nuclear power stations? Should the nuclear power generation industry be privatised? Of these, the second is much the more important.

From the nuclear industry's point of view, this is a good moment to address both questions. The two state-owned companies, Nuclear Electric and Scottish Nuclear have made impressive progress towards overcoming the profligacy and misjudgments of the past. They now account for a quarter of the electricity consumed in Britain, and they can produce it at a price which is beginning to approach open market levels. The near-completion of Sizewell B also suggests that the industry's technical abilities are alive and well.

At a time when the government is committed to reducing atmospheric pollution, nuclear can also put up a legitimate environmental case that it is "cleaner" than fossil fuel plants.

On the other hand, Britain has a growing surplus of power generation capacity, and though the nuclear component of that will shrink as first generation Magnox reactors are phased out, there should be no automatic presumption that they will be replaced with further nuclear plant.

Decommissioning cost

Another complication is the radioactive waste from nuclear power stations, and the cost of decommissioning them when they reach the end of their lives. Neither of the two state-owned companies is fully provisioned for these costs: their liabilities are being covered partly by subsidies from the electricity market, partly by the taxpayer. Although there is a prospect that the newer power stations will be able to provision themselves, this may never be the case with the old Magnox stations whose economics are so doubtful that they will have to remain in government hands whatever happens to the rest of the business.

On the face of it, the case for privatisation is thus not strong. In its present shape, the industry is not capable of operating commercially because of its huge inherited liabilities and operating costs. The financial markets remain deeply sceptical about the risks of nuclear power.

But all this should not deter the government from exploring ways of reshaping the industry into a form that could become fully commercial. The managements of both state-owned companies are keen to be privatised, and have put forward detailed cases in support of their ambitions.

Investor credibility

The main aim of the review should be to identify those parts of the generation companies which are capable of standing on their own feet and creating out of them businesses that would have credibility with investors. This would include the more efficient AGR stations and Sizewell B. And it is through the privatisation of the business rather than by government *diktat* that the future of nuclear power must be decided.

Making privatisation work will depend on resolving two problems that affect the commercial viability of nuclear power. First, failure to align prices with wider social costs and benefits can lead to distorted outcomes. Thus if nuclear plant is required to bear the full environmental costs including those of decommissioning and spent fuel storage, the same must apply to other forms of electricity generation. Otherwise competition would not be equal.

Second, nuclear power faces unique political risks against which no private operator could hope to insure itself. This problem needs to be addressed by government if a privatised industry is to invest in efficient new generating capacity. Provided these problems are solved, privatisation would be appropriate and should be workable. The management of these companies would be best placed to decide whether further development of nuclear power was viable.

The truth is that there is no special case for nuclear power, any more than there was for coal. But if the managers of the industry want to go private, and investors are prepared to back them, they should be given the chance.

Trouble down on the farm

As the EU expands eastwards, **Alison Maitland** and **Deborah Hargreaves** examine the need to reform the CAP

The European Commission has moved beef and grain mountains, but further reform of the Common Agricultural Policy is an altogether more painful prospect.

This did not stop the Commission last week publishing a report by an independent panel of experts calling for such reforms. The Commission distanced itself, officially, from the report's conclusions – produced by experts from Belgium, Denmark, France, Germany, Greece, Sweden and the UK – and watched as a wave of protests by farmers confirmed their resistance to further CAP reform.

But it is clear that the report will be used by factions within the Commission to stimulate debate on an overhaul.

The farming industry is still trying to absorb the shock of sweeping reforms brokered by Mr Ray MacSharry, former agriculture commissioner, two years ago. But many farmers privately acknowledge that further reforms are inevitable if the European Union is to meet its commitments under the General Agreement on Tariffs and Trade and its ambitions to enlarge eastwards.

The enormous burden of the CAP on the European consumer and taxpayer is also a powerful argument for reform. According to the Organisation for Economic Co-operation and Davelopment, the CAP cost each person in the EU $385 last year. This cost represents an average subsidy of $15,400 for each full-time agricultural worker, or $980 per hectare of farmland.

The extent of these subsidies has become transparent as part of the MacSharry reforms under which farmers are paid direct compensation for the price cuts and the idle land they have to endure. There is nothing unusual about this scale of support. Indeed, with the exception of New Zealand and Australia, all OECD countries subsidise their agriculture heavily.

But world farming markets are about to change, with the scheduled entry into force of the Uruguay Round world trade agreement early next year. Many farm experts, including the UK's National Farmers' Union, are unconvinced by the Commission's assurances that the 1992 reforms will be enough to meet the required cut in the volume of subsidised EU exports under the Gatt deal.

Indeed, debate over the future of the CAP was sparked in the UK six months ago by an NFU study presenting members with stark choices over the future of farm policy.

The sceptics argue that reductions in price support – together with "set-aside", under which 15 per cent of arable land is taken out of cultivation – will be insufficient to offset annual increases in output of cereals per hectare. They expect beef production, too, to exceed the Gatt limits for subsidised exports by the end of the decade. Such constraints, the NFU argues, will present farmers with a tough choice before 2000: either production controls will have to be strengthened, or price support through intervention, the cardinal component of the CAP, will have to be abandoned.

But the freeing of trade, which will expose EU farmers to greater competition, is not the only threat to the cosy world of the CAP. While Austria, Finland, Norway and Sweden's accession to the EU next year should be broadly neutral financially, the eventual absorption of prospective members from central and east Europe poses an enormous challenge. Eventually their farming industries could be fiercely competitive, but they are currently in severe decline because of the loss of traditional markets in the former Soviet Union and the collapse of state distribution systems.

The EU is committed to bringing these nations into the fold. In Germany, the most fervent advocate of enlargement to the east, there is growing political recognition that this expansion would involve a re-examination of the CAP.

Agriculture officials in Brussels are drawing up plans this autumn to help get east Europe's farm sector back onto its feet. They have a tough task, given the conflict between the EU's desire to prevent political unrest in the east and its concern to protect its own farmers.

Yet extending the CAP to east Europe would be beyond the resources of the EU. An over-stretched CAP budget was one of the driving forces behind the MacSharry reforms. It could re-emerge as a pressure point in its own right, long before the accession of the first central European countries. Commission officials say inflationary pressures are building up which could break the spending ceiling next year. This could bring renewed calls for a renationalisation of the farm budget as suggested in last week's CAP report. But such pressure will be resisted by many governments and farm groups.

Tied into the budget debate are growing public demands in northern Europe for farming to be kinder to the environment, such as using fewer chemical inputs. Environmental measures were built into the 1992 reforms for the first time. But this has only encouraged lobbyists to push for all payments to farmers to be tied to their adopting "green" practices.

Together these forces add up to a compelling case for overhauling the CAP. Yet among the Commission's agriculture officials there is a striking public reticence to debate the issue. Mr Rene' Steichen, the outgoing agriculture commissioner who has presided over implementation of the MacSharry reforms, says it would be wrong to create fresh uncertainty in the farming community when the reforms are working so well. He cites falling production – this year's EU harvest is forecast at 160m tonnes compared with 185m tonnes in 1991 – and drops of 52 per cent and 77 per cent repectively in the grain and beef mountains over the past year.

Mr Steichen would like to see cuts in the high level of compensation paid to the best-off farmers for setting land aside. This compensation level was conceded by the Commission in 1992 only under pressure from the farm lobbies. He is also working on changes to sectors left untouched in 1992, such as wine. But provided these reforms prove effective, he says, "I don't think there's a need to change the CAP."

Mr Steichen's view is not shared by all of his Commission colleagues as last week's CAP report shows. The report was ordered by officials in the Commission's economics and financial affairs directorate as a way of encouraging discussion on CAP reform.

However, many EU members are also hesitant about broaching farm reform. Any suggestion that the 1992 reforms might be insufficient to meet the Gatt commitments could risk a trade dispute with the US in the run-up to ratification of the Uruguay Round accords.

Moreover, agreement to the agricultural part of the Gatt deal was wrung from France in exchange for a commitment by the Commission not to increase the level of set-aside without full compensation. The French say the exclusion of small EU farmers from set-aside has left their big grain producers bearing 40 per cent of the total burden of set-aside.

The lack of political will for further reform may also be linked partly to the forthcoming elections in Germany and France.

Given these conflicts, it will be difficult to make even mild changes to the CAP, such as deeper cuts in support prices, without extra compensation for farmers that would overstretch the budget.

Tacitly, the need for a new approach to the CAP in the light of the east Europe issue is acknowledged at the Commission. The issue is likely to be back on the agenda in 1996 when the enlargement debate will be more pressing. But ideas for far-reaching reform, such as paying farmers a one-off lump sum in exchange for abolishing all support, appear to be out of line with Brussels' thinking.

UK officials, serving a government that says it would ultimately like the 37-year-old CAP abolished, argue that the policy's staying power cannot be underestimated. "It has never collapsed under the weight of its contradictions," said one.

Indeed, the MacSharry reforms have arguably given it a longer lease of life by making it easier to adjust price support, set-aside levels and compensation while leaving the system's foundations intact. Mr MacSharry is convinced the CAP will still be in place in 2010. "I see a fine-tuning but no revolutionary change," he said. "There's no doubt that while there will be a European Union there will be a CAP."

Challenge of change

PERSONAL VIEW

When the Bretton Woods institutions were organised 50 years ago, their task of helping rebuild a ravaged Europe and bringing order to the global economic system was clear. Though probably the tallest order of its kind in modern times, they did the job and did it well.

Today, the World Bank and the International Monetary Fund face different challenges. Fifty years ago we were dealing with less than a quarter of the world's economy. Today, the developing world and transition economies account for nearly half of global output.

Today the challenge is development and transition, to spread prosperity. The price of failure is just as high, perhaps higher. But the benefits of success have never been greater.

Both the IMF and World Bank need to look anew at bow they can contribute. For the IMF, it is a matter of maximising the economic reform it can support. The Bank must focus on bringing more people into the development process – as participants in planning and as beneficiaries of progress.

The IMF is achieving real results in helping Russia and the other transition economies reform and rebuild. The carrot of financial support has a tremendous impact. But there is still much to be achieved.

We have asked the IMF to go one step further to support the kind of comprehensive reforms needed for full transition. Increasing access to IMF resources for countries committed to strong reform measures – in eastern Europe, the former Soviet Union and around the developing world – can increase the incentive to take the difficult steps toward productive market-based economies. Extending the Structural Transformation Facility is also critical to reinforcing this process.

To make their participation in the world economy and monetary system complete, all member countries should have the rights and benefits of membership of the IMF. The US has proposed bringing equity to the allocation of Special Drawing Rights. Completing this issue, along with enhancement of support for reform, will be central both to our meetings in Madrid and to the future of the IMF.

Stability in the world economy is important to the prospects for the developing, transition, and industrialised economies. The Group of Seven finance ministers are committed to strengthening their policy co-ordination efforts. There is a crucial role for the IMF in this process. Nevertheless it is our view that a flexible process of co-operation, not fixed exchange rates or target zones, is the best way forward.

Just as we have learned that austerity is no substitute for careful adjustment, we also know that broad policy changes are not enough for sustained and sustainable development and growth. At the heart of economic activity and productivity are more basic questions. Are workers educated? Are they healthy? Is the population growing too fast for the economy to ever catch up?

There are no easy answers. But with 1bn people in the world existing on less than a dollar a day, we must start somewhere. This is the World Bank's challenge.

The Bank should start by putting people first, with mors attention to health, population control and education, particularly for women. It must begin to utilise the private sector better, supporting and not supplanting the strongest available force for development. And it must support bottom-up development. Micro-enterprises, for instance, can be a remarkable tool for driving development.

The Bank is turning in this direction. More information about Bank loans and operations is available to the public. More concern has been focused on the resettlement implications of large projects, Loan quality is being addressed by strengthening oversight and concentrating on coherent approaches to development in each country. These changes must be deepened and become part of the Bank culture.

In addition, the changes being implemented at the Bank must be adopted by the regional development banks.

The upcoming 11th replenishment of the International Development Association offers the opportunity to strengthen the davelopment impact of the new direction in Bank practices.

Our national security institutions are changing to face the new challenges. But our economic institutions are only just beginning and must now commit themselves to making these new approaches a way of life.


Bentsen: flexible co-operatiou

Lloyd Bentsen

The author is US Secretary of the Treasuryn

OBSERVER

Turning up the heat

■ This year's meetings of the International Monetary Fund and World Bank in Madrid are attracting a less courtly breed of demonstrator than past annual beanos.

Lewis Preston, the World Bank President, narrowly missed having a custard pie – cunningly disguised as a birthday cake to mark the Bank's 50th anniversary – pushed in his face at a weekend press conference. Security staff intercepted the missile and quickly bundled out the party poopers chanting "50 years is too much".

Perhaps this near miss encouraged Preston to take a swipe at one of his old banking pals, Paul Volcker, the former Federal Reserve board chairman. Maybe it has something to do with his great height, but Volcker has always appeared above criticism in the arcane world of international monetary affairs. However, Preston couldn't resist a dig when asked to comment on some of Volcker's past proposals for reorganising the World bank. "Volcker is an old friend and like everybody else be gets stuck in time," said the World Bank's 68-year-old president.

Britain's chancellor Kenneth Clarke was not much kinder. After hearing Volcker express a clear preference for greater order in world foreign exchange markets, Clarke concluded that he "was struck how much times had moved on". *Sic transit gloria.*

Yesterday's man

■ If alarm bells are not ringing in Britain's diplomatic service then they should be. Has anybody noticed that Sinn Fein leader Gerry Adams, who will be in New York tomorrow to fall out with Ulster Unionist MP Ken Maginnis on the Larry King Live chat show, is going to be just a cab ride away from South Africa's President Mandela?

Mandela is on his first state visit to the US and is busy shaking hands with all sorts of business folk. What better way for Adams to project his public image as Ireland's answer to Nelson Mandela than to arrange a meeting with the great man himself. Much better than trying to get President Bill Clinton to invite him to the White House.

Female pitch

■ One unfortunate casualty of the ongoing debate about the quota of women MPs in the Labour party was yesterday's traditional pre-conference football match between the Labour party and Fleet Street. The match degenerated into a farce because Labour insisted on fielding three female MPs led by Kate Hoey, a former PE teacher.

The only time Labour looked like scoring was when Hoey was awarded a rather dubious penalty. Her first attempt went over the bar and she was given a second go because the goalkeeper – the FT's David Goodhart who boasts a clean sheet for the Hampstead Heathens this season – had moved off the line. Her second effort dribbled in and Goodhart was given a special award for football chivalry....


'Brian suspects Mr Kempton of only pretending to be on street patrol'

Executive panic

■ What is upper-most in the minds of the captains of industry who have made the long trip north to Labour's Blackpool conference?

National Power gave the game away when it invited one of shadow chancellor Gordon Brown's staff to its conference party. In a corner of the card offering drinks and light refreshments at The Imperial, a National Power employee had noted the reason for the invitation. Scrawled in pencil was the phrase "executive share options".

Meanwhile, Labour's success in sucking more money out of the corporate sector has not pleased all the comrades. Dennis Skinner, the leftwing "beast of Bolsover" was incensed by the discovery that Marconi is sponsoring a reception for the party's national executive committee tonight. Ha has made it quite clear that he and Tony Benn, the other pillar of the left wing, are not going to be on parade at any booze-up sponsored by a company in the armaments business.

Body building

■ Welcome signs of movement at The Body Shop. Texan Gwen Gober, who professionalised Kingfisher's public relations, has been recruited to help the embattled cosmetics group rebuild its environmentally-friendly public image. She is being brought in to help ease the strain on Gavin Grant, the former architect of the RSPCA's controversial dead dogs and ponies advertising campaign, who has not had much luck persuading Anita and Gordon Roddick to love journalists.

For starters, Gober must try to prevent the Roddicks from continually referring to City financiers as "pin-striped dinosaurs". Such descriptions may be well deserved, but as Gerald Ratner can testify some home truths are best left unsaid. Body Shop need not go the same way as Ratners.

Date rape

■ Will Ken Livingstone, the maverick Labour MP who chairs the Anti-Racist Alliance, and John Prescott, the deputy leader of the Labour party, repeat after me. "Thirty days have September, April June and November....".

Issuing press releases dated 31 September does not encourage much confidence in the accuracy of the rest of the contents.

Waste recycling

■ Browning-Ferris Industries, the US waste services company, makes much of its aversion to waste. Waste of money and resources, that is. Chairman Bill Ruckleshaus boasts that pictures and pages have been eliminated from his company's annual report to save costs. His words have been taken so seriously that BFI has eliminated pages 17-33 of the report and instead reprinted Ruckleshaus's comments from pages 1-16 in full. Well, if it's worth saying once...

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Stock Exchange team opens 116 cases this year

Sharp rise in London insider dealing probes

By Robert Peston in London

There has been a sharp increase in possible insider trading cases detected by the London Stock Exchange, according to a Financial Times analysis based on unpublished official figures.

The exchange's surveillance group, whose role is to scrutinise every share deal for signs of criminal activity, has opened 116 cases for investigation so far this year, including more than 75 into alleged insider trading. That represents an effective rise of around 50 per cent over the previous year.

Mr Michael Lawrence, the exchange's chief executive, wants to make the market safer for investors who do not have inside information. A series of measures is under consideration to ensure that anyone buying and selling shares through a London securities house will not be severely disadvantaged if he or she has access only to published information.

"We do not want to have the image of London as a place where you can do insider trading and get away with it," he said.

These measures will be aimed *primarily* at *pre-empting insider* trading by making better use of the new computerised Integrated Monitoring and Surveillance System, which the exchange uses to detect unusual share price movements or anomalous transactions.

In the past nine months, the exchange has referred 10 possible cases of insider trading – the making of illegal profits from trading in shares when in possession of confidential price-sensitive information – to the Department of Trade and Industry. That compares with seven in the whole of 1993.

Reports and analysis Page 8

According to officials, this reflects an increased detection rate rather than a rise in the incidence of the offence.

The DTI has the power to appoint inspectors to carry out formal insider dealing investigations under the Financial Services Act, after receiving case files from the exchange, and also decides whether to prosecute.

So far this year it has *appointed inspectors* in just *five* cases, including that of Lord Archer's order to purchase 50,000 Anglia Television shares, and there has been just one trial.

The disclosure of the improved performance of the surveillance group is likely to increase pressure on the government to reform the law to improve the chances of achieving successful prosecutions against suspected insider traders.

The DTI and the exchange have been widely criticised because, in the 14 years since insider trading became illegal in the UK, just 23 individuals have been found guilty of the offence.

Part of the reason for the low prosecution record is widely believed to lie in the criminal, as opposed to civil, nature of the misdemeanour. The burden of proving beyond any reasonable doubt, as is required in a criminal case, that someone possessed inside information when dealing and then proving that the motive for the transaction was to profit from that information – and that there was no other motive – has frequently been impossible.

Extremists' alliance likely to form goverment in Slovakia

By Vincent Boland in Bratislava

A commanding victory in weekend elections by Mr Vladimir Meciar, twice Slovakia's prime minister, has paved the way for an alliance among his populist movement, socialists and extreme nationalists to form the country's next government.

Mr Meciar's Movement for a Democratic Slovakia (HZDS) won 35 per cent of the vote and a potential 58 seats in Slovakia's 150-member parliament. That is more than three times as many as the party's nearest rival, the former communists of the Democratic Left (SDL). Voter turnout was 75 per cent.

Mr Meciar, ousted as prime minister in March, appeared set to form the next government in a coalition which could include the socialist Union of Slovak Workers (ZRS), which won 7 per cent of the vote, and the extreme nationalists of the Slovak National party (SNS), which won 5.4 per cent.

The size of the HZDS victory took many observers by surprise. In the weeks before the general election on Friday and Saturday, opinion polls had given the party no more than 27-30 per cent of the vote. If HZDS forms a coalition with the ZRS and SNS, it will have up to 82 seats in parliament and a majority of six seats.

As remarkable as the success of HZDS was the collapse in support for the SDL, which slumped to 10 per cent from 15 per cent at the last election in June 1992, before Slovakia split from the Czech Republic. This has effectively killed hopes of the return to office of the outgoing government, of which the SDL was the dominant partner.

The outgoing prime minister, Mr Jozef Moravcik, whose Democratic Union party, a breakaway unit of the HZDS, garnered 8.5 per cent of the vote, conceded that there was little likelihood of his government remaining in office. "It will be difficult for the current government to stay together," he said.

Mr Meciar is in the stroogest position of any party leader to become Slovakia's next prime minister. His campaign was dominated by threats to stop Mr Moravcik's privatisation programme, and by repeated attacks on Slovakia's ethnic Hungarian minority and on President Michal Kovac, who helped to force him from office in March.

Observers in Bratislava yesterday predicted the instability of Mr Meciar's previous governments is likely to return if he forms the next government. Negotiations on forming a coalition are expected to take several weeks, during which the parties in the outgoing government will also attempt to regroup.

Shift to extremes, Page 8

Chrysler to cut number of parts suppliers

By Kevin Done, Motor Industry Correspondent, in London

Chrysler, the US carmaker, is planning a radical redoction in the number of its first-tier components suppliers to about 150 from 1,200 at present.

It is also expected in December to approve an increase in its expenditure programme to abont \$22.5bn (£14.2bn) for the five years from 1995 to 1999. That compares with \$20bn planned for the period 1994-98.

After coming close to financial collapse at the beginning of the 1990s, Chrysler, the smallest of the big three US carmakers, has emerged as the most profitable of them, with record profits of \$1.89bn in the first six mooths of this year.

It has become one of the world's lowest-cost carmakers, partly as the result of reforms to the structure of its supply base. Most of the world's leading carmakers are sharply redncing the number of their suppliers in order to simplify and streamline their operations, bnt Chrysler has taken one of the most radical approaches.

First-tier suppliers are being asked to shoulder much more of the research and development burden for new prodncts, and in return are being rewarded with much longer-term contracts and, increasingly, single-source contracts.

Mr Tom Stallkamp, Chrysler vice-president for purchasing, said the company had already reduced the number of its first-tier suppliers from 3,000 five years ago.

Chrysler's top 150 suppliers account for 90 per cent of its \$27bn total purchasing of parts, goods, services and equipment.

It has cut the number of its tyre suppliers from seven to two, its paint suppliers from five to two and the number of its wiring suppliers from 14 to two.

Mr Robert Eaton, Chrysler chairman and chief executive, said the company intended to concentrate on the core activities of overall vehicle design and development, sheet metal stamping and car assembly, and developing engines and transmissions and electronics.

It had one of the lowest levels of "vertical integration" among western carmakers, buying in almost 70 per cent of the cost of a vehicle from outside suppliers.

Mr Stallkamp said greater integration of leading outside suppliers into its operations since 1990-91 had led to suppliers' putting forward proposals for cost savings totalling \$921m.

Savings totalling \$504m had been approved this year and the company was targeting savings of \$750m in 1995.

Chrysler's \$22.5bn spending programme is expected to lead to a complete renewal of its prodnct programme.

US-Japan trade deal

Continued from Page 1

opening measures welcomed the outcome of the talks. Mr Ralph Gerson, president of Guardian internatiooal, a glass maker, said: "We are very pleased after long and difficult negotiations that US negotiators have achieved agreement."

IMF split on reserves

Continned from Page 1

designed to strengthen the reserves, and hence the import capability, of poor developing nations.

Speaking after the G7 meeting, German officials made clear that they had dropped their opposition to an issue of SDRs because the UK-US scheme was a one-off package, designed to correct an inequity which would need 85 per cent approval of the Fund's members as well as ratification by most countries' parliaments.

Mr Edmond Alphandéry, the French finance minister, who had originally supported Mr Camdessus said he had accepted the UK-US plan as the only viable option.

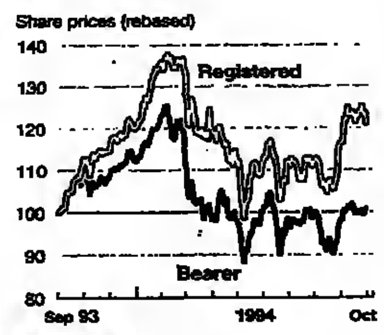
THE LEX COLUMN

Disputed rights

Publication of the OFT-sponsored report by Mr Paul Marsh, of the London Business School, on underwriting commissions will set the cat among the City pigeons. The report concludes that the *fixed 2 per cent commission* paid to nnderwriters is unjustified. Certain institutions have been anxious to see the document suppressed, a sure indication that it should be published as soon as possible, together with the responses of merchant banks and other interested parties.

The mechanics of raising equity in the UK look inflexible when compared with practice in the US. There, corporations are not obliged to offer new shares to existing shareholders and can therefore gauge the level of potential demand before setting the price of new shares. Large amounts of cash can be raised by such book-building exercises in days, rather than the three weeks required for a UK issue. Fees in the US are higher than in the UK, but the new shares can be issued at negligible discounts to existing share prices. That compares with a 15 to 20 per cent discount in the UK, which reflects the inherent market risks. Arguably the cost of capital is higher as a result.

A change to the existing UK system would be difficult in the light of pre-emption rights. But these need not be sacrosanct, nor indeed should they be an issue if the shares can be offered at, or close to, the market price. Merchant banks should become more imaginative in finding ways of circumventing the discount, rather than seeking to smother the Marsh report. But traditional merchant banks, without the capital base or the distribution capacity of large integrated houses, have a great deal to lose if the existing system is changed.



Source: FT Graphite

UBS

At one level, Mr Martin Ebner, the maverick investor whose fund has built up a 19 per cent stake in UBS's registered capital, has certainly done the bank a favour. Many large Swiss companies have rightly unwound discriminatory shareholding structures in recent years on the grounds that they are inappropriate in a modern world of global investment flows. Banks thought this presented special legal difficulties, connected partly with restrictions on foreign ownership of property. Mr Ebner naturally has an interest in preserving the status quo but his attack has at least forced UBS to look again and discover that no such problems stand in the way of a modern capital structure.

That said, it will require extraordinary unselfishness on the part of registered shareholders to vote away their privileges. The registered share price would inevitably fall steeply. By siding with Mr Ebner, shareholders might also increase the chances of him forcing management to pay closer attention to increasing return on shareholders' funds.

Yet although increased shareholder activism is welcome in the Swiss market, Mr Ebner is still taking things a little far. UK institutions rarely intervene directly and publicly with management unless things have gone manifestly wrong. Mr Ebner is behaving less like a concerned institution and more like a buccaneering conglomerateur who wants to seize control on the basis of minority stake. Retail investors in his fund will not thank him if, having used their money to bny expensively into UBS, he fails and has to sell out at a loss.

UK utilities

The UK water sector currently yields an average 5.8 per cent, a full 1.6 percentage points above the electricity sector. That is because electricity stocks have had such a good run in recent months, outperforming the market by nearly 25 per cent since May. Some investment houses have used the difference in yield to justify recommending their investors to switch from electricity to water. Some shareholders even seem to have heeded their brokers' advice. At the end of last week, the water sector was up 1.7 per cent on the previous Friday's close. The electricity sector was down 3.4 per cent.

Such arguments only take into account present yields, not future growth. On that basis, the outlook for the regional electricity companies is better than that for their water counterparts. With ungeared balance sheets, the Recs are looking for ways to hand back their excess cash. There could be further share buy-back schemes or even one-off bumper dividends. The proceeds from next year's National Grid sale could also be redistributed to shareholders. Shares could be marked up in preparation for the end, early next year, of the moratorium on mergers and acquisitions in the sector.

In the short term, as the Recs move into the closed period during which they cannot announce share buy-back schemes, their shares look set to underperform. In the long-term, the electricity groups look live-wires, the water stocks stagnant by comparison.

Italy

The Italian government has been so preoccupied with agreeing a budget that it has allowed its privatisation programme to flag. The coalition partners have squabbled over how and, indeed, whether groups such as Stet (telecoms), Enel (electricity) and Eni (oil and chemicals) should be sold off. The companies have jockeyed for position over which should go first. Mr Silvio Berlusconi, the prime minister, last week tried to inject some momentum into the process by announcing a new timetable: Stet and Enel would be sold by June 1995. He made no mention of Eni, though the government later said it had not been forgotten.

Italy clearly needs to get a move on. Not only do the overall budget projections depend on privatisation proceeds of L10,000bn in each of the next three years; IRI, the debt-laden state holding company which owns Stet, badly needs cash. But setting a timetable on its own is not enough. Previous deadlines have slipped.

Before Stet and Enel can be sold, the coalition needs to agree on the companies' structures. In Stet's case, the central question is whether it should merge with its main subsidiary Telecom Italia. In Enel's case, the questions are whether competitors should be allowed into electricity generation and whether the distribution network should be split on regional lines. The new timetable provides a short breathing space in which such issues can be resolved. But it could too easily be wasted unless Mr Berlusconi moves smartly to knock heads together.

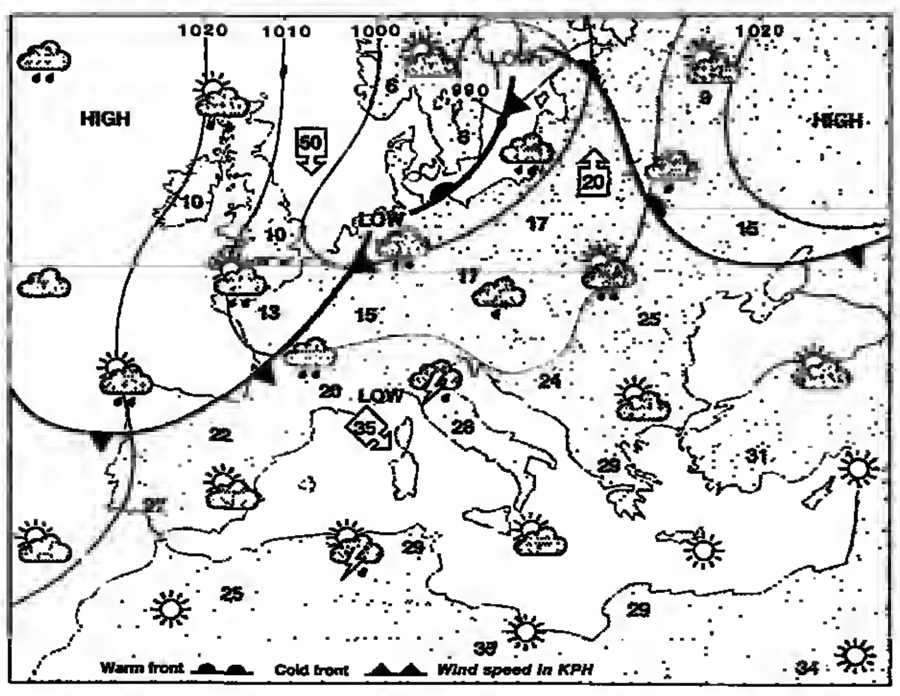
FT WEATHER GUIDE

Europe today

A cold front associated with an active depression moving towarde Finland will produce continuous rain in the Benelux, Germany and France. In the wake of the front, a mass of cold and unstable air will be drawn into the British Isles and the North Sea area. There will be a few sunny spells and showers, some of them wintry. Snow showers will occur along the Norwegian coast. Further inland, there will be sunny periods, but temperatures will remain unseasonably low. Most of Italy and the southern Alps will have frequent rain or thunder showers. Spain and Portugal will still be rather sunny and warm, but northern regions may have showers. South-east Europe will continue dry with plenty of sun and temperatures between 25C-33C.

Five-day forecast

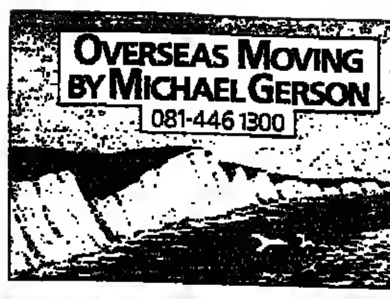
The cold and unstable air will move further into central and southern Europe during the next couple of days. Temperatures will fall and most areas will have showers. Snow levels in the Alps will drop to 1000-1400 metres. Most of Scandinavie will be cold, but later in the week it will become steadily milder. South-east Europe will be warm and rather sunny all week.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	37
Accra	cloudy	31
Algiers	fair	24
Amsterdam	rain	12
Athens	fair	29
Atlanta	fair	29
B. Aires	shower	16
B.ham	fair	11
Bangkok	shower	32
Barcelona	shower	23
Beijing	fair	23
Belfast	hail	8
Belgrade	fair	27
Berlin	shower	16
Bermuda	fair	28
Bogota	fair	28
Bombay	fair	35
Brussels	rain	14
Budapest	shower	21
C.hagen	rain	11
Cairo	sun	33
Cape Town	sun	17
Caracas	thund	31
Cardiff	fair	12
Casablanca	sun	23
Chicago	fair	13
Cologne	rain	15
Dakar	cloudy	31
Dallas	sun	30
Delhi	sun	29
Dubai	sun	36
Dublin	fair	10
Dubrovnik	fair	26
Edinburgh	hail	8
Faro	fair	25
Frankfurt	shower	17
Geneva	shower	17
Gibraltar	fair	24
Glasgow	shower	10
Hamburg	rain	12
Helsinki	rain	8
Hong Kong	fair	30
Honolulu	fair	32
Istanbul	sun	26
Jakarta	fair	32
Jersey	shower	13
Karachi	fair	35
Kuwait	sun	39
L. Angeles	cloudy	22
Las Palmas	fair	26
Lima	cloudy	22
Lisbon	fair	23
London	shower	12
Lux.bourg	rain	13
Lyon	rain	19
Madeira	fair	24
Madrid	fair	24
Majorca	fair	24
Malta	fair	28
Manchester	shower	10
Manila	fair	31
Melbourne	rain	14
Mexico City	fair	19
Miami	thund	31
Milan	rain	22
Montreal	fair	11
Moscow	shower	10
Munich	shower	16
Nairobi	cloudy	28
Naples	shower	27
Nassau	thund	31
New York	fair	16
Nice	thund	22
Nicosia	sun	34
Oslo	fair	8
Paris	rain	15
Perth	fair	16
Prague	cloudy	19
Rangoon	fair	31
Reykjavik	fair	5
Rio	fair	31
Rome	thund	26
S. Frsco	cloudy	22
Seoul	fair	24
Singapore	cloudy	30
Stockholm	shower	8
Strasbourg	rain	17
Sydney	cloudy	17
Tangier	sun	23
Tel Aviv	sun	32
Tokyo	fair	26
Toronto	fair	12
Vancouver	sun	20
Venice	thund	21
Vienna	fair	21
Warsaw	fair	18
Washington	shower	17
Wellington	fair	11
Winnipeg	shower	8
Zurich	rain	17



FINANCIAL TIMES

COMPANIES & MARKETS

Monday October 3 1994

MARKETS THIS WEEK

TONY JACKSON:
GLOBAL INVESTOR
Commodities are often regarded these days less as an opportunity than a threat. They are seen as a harbinger of inflation, and thus bad news for other types of asset. Howevar, Tony Jackson argues that they are not so much a guide to inflation as a component of it. Page 24.

PETER NORMAN:
ECONOMIC INVESTOR
China's economy grew at an average annual rata of 9 per cent in the 15 years to 1993 but when it comes to managing changa through economic and financial policy, the Chinese shy away from a big bang approach. Page 24.

BONDS:
The completion of elections has removed a major risk factor for both Swedish and Danish government bonds. However, tha markets are likely to remain volatile in coming months, due to tha establishment of minority governments in both countries and referenda dua in Finland and Sweden on European Union membership. Page 28.

EQUITIES:
Monday marks an uncomfortable start to the final trading quarter in the UK. The market will have to gain up to 20 per cent in tha period if it is to meet the most optimistic of City forecasts for tha FT-SE 100 Index at the year-end.
On Wall Street, prices will continua to track the yield on the benchmark 30-year government bond. Page 30

EMERGING MARKETS:
Cross-border trading in the Caribbean should get some encouragement from tha decision of commercial banking group CIBC (Canada) to offer for sale 45m shares in CIBC West Indies Holdings, its Caribbean subsidiary. Page 26

CURRENCIES:
Reaction to Saturday's partial deal on US-Japan trade talks is likely to dominate markets early in the week. Later, attention will turn to Friday's US non-farm payroll figures, which some feel may push the Federal Reserve into increasing interest rates. Page 37

COMMODITIES: Rubber producers will be looking for concessions from consumers as the latest round of talks on a new International Natural Rubber Agreement begin in Geneva today. Page 25

UK COMPANIES:
Despite record numbers of issues pulled and a disturbing level of profit warnings from recent candidates, 1994 is still set to break all records for the number of flotations, according to KPMG Peat Marwick. Page 22

INTERNATIONAL COMPANIES:
German chemicals group Hoechst faces the most ambitious shake-up of its management and operational structure ordered so far by its new chairman Jürgen Dormann. Page 23

STATISTICS

Dresdner and BNP strengthen ties

By John Gapper in Madrid

Dresdner Bank and Banque Netionale da Paris plan to strengthen their partnership, established last year, by making joint acquisitions in European countries.

The banks want to boost their position in markets where they are under-represented.

Mr Jürgen Sarrazin, chairman of Dresdner's managing board, said yesterday they also intend to merge their operations in Spain in the first quarter of 1995, the first such move they have undertaken. Ha told a press conference in Madrid during the IMF/World Bank annual meetings thet the banks planned to form a joint subsidiary in Spain and buy out minority equity holders in BNP's operation.

He said tha banks, which reached a co-operation agreement in May last year and hold small stakes in each other, intended to make joint acquisitions in addition to opening joint operations outside their home countries. There were no acquisition targets, but in countries such as Italy where neither has a strong presence, they might try to acquire an existing commercial or investment banking operation.

The co-operation deal has been investigated by the European Commission on competition grounds, but no decision has been taken. The banks want to raise their cross-shareholdings to 10 per cent in the long term. Mr Sarrazin said both banks considered there were "some European countries where we could be stronger". This could lead to added investment, the opening of new subsidiaries, or acquisitions.

The most concrete move the two banks have undertaken has been to open joint subsidiaries in eastern Europe, including Prague, St Petersburg, and Bndapest, but Spain would be the first operational merger.

The banks have different operations in Spain. BNP has a small retail bank with 73 branches, which is not thought to be profitable, and Dresdner has a wholesale operation run through three branches. Because BNP's operation in Spain is 23 per cent owned by minority shareholders, the restructuring would have to be accompanied by e pnhlic offering for their shares.

The banks have establlshed a joint working group to plan the future of the Spanish operation. It is expected to concentrate on large and medium-sized companies, and on private banking for rich individuals. Some analysts have doubted whether the partnership would increase either bank's earnings substantially.

FT banking conference, Page 30

London exchange may change rules on short selling

By Norma Cohen in London

The London Stock Exchange is proposing to amend its rules on the short selling of securities in order to limit market manipulation. Short selling is the sale of securities one does not already own. Short sellers usually hope to he abla to buy hack more cheaply the shares they have just sold.

The exchange has been under pressure from the Securities and Investment Board, the City of London's chief regulatory watchdog, to review rules on short selling. The UK Treasury has expressed concern because it believes current rules may have the effect of increasing the cost of raising capital and damage London as a financial centre.

In a consultative document to be issued today, the exchange indicated it is reluctant to make radical changes to current rules which allow unrestricted short selling but only by market makers – firms which agree to huy and sell large quantities of stocks in all market conditions.

"If regulation of short selling is indeed needed in the UK, then it should be introduced with caution, it should focus specifically on the areas of greatest concern and it should not impede the liquidity of the market," the consultative document said.

The exchange concluded that the potential for market manipulation through short selling is greatest during an "international hook-building" by an Issuer whose shares are already traded.

The exchange noted that these book-building exercises, common in the US, significantly cut the cost of raising capital. In a book-building, the issuer announces the intention to sell shares at a future date and the advisers in the meantime attempt to find buyers. Because the price is not set until the day the new shares are sold, investors have an incentive to use all available means, inclnding short selling, to drive the price down.

The exchange cites complaints abont five snch exercises in recent years. The most recent were rights issues for Eurotunnel and EuroDisney earlier this year. The UK government's sale of the second and third tranches of its holdings in British Telecommunications was also cited.

The exchange said it had no conclusive evidence that sbort selling was to blame for tbe sharp drop in prices in these cases. It is proposing a new rule requiring firms to distinguish between short sales and outright sales wben reporting their own and their clients' business to it.

The exchange is also seeking comments on four possible approaches to restrict the manipulative effect of short selling:

- require, as in the US, public disclosure of the market's aggregate short interest position;
- ban the covering of a short position with shares bought in a secondary offering;
- give issners greater control over who is allowed to buy shares in a secondary offering, possibly requiring buyers to promise not to sell any of their existing holdings until the book-huilding is complete; or
- allow those offering the shares to insist they be dealt for cash or purchases settled more quickly.

Swiss bank feels the draught of change

Zurich broker-fund manager Martin Ebner (left) is mounting a strong challenge to directors of Union Bank of Switzerland, led by chairman Nikolaus Senn. Page 23. Maverick hunter, Page 16; Lex, Page 20.

First Choice falls out with WestLB

By Michael Skapinker in London

Relations between tbe British travel group First Choice Holidays and Germany's Westdeutsche Landesbank, which controls a 21 per cent stake in it, have been soured by cancelled strategy meetings and the failure of planned joint projects.

Lazard Brothers, First Choice's financial edviser, is attempting to clarify the future of the relationship with Schroders, the merchant bank which is acting for Thomas Cook, itself 90 per cent owned by WestLB. Any attempt by the German bank to take control is likely to he resisted fiercely by First Choice.

Thomas Cook's purchase of a 21 per cent stake belped First Choice – then called Owners Abroad – to fight off a hostile takeover bid last year from Airtours, a rival tour operator.

Owners Abroad's management said at the time the relationship would enable it to make substantial cost savings through co-operation between Owners Abroad and LTU, the German travel company, in which WestLB had a 34 per cent stake. Owners Abroad said co-operation with LTU would allow it to cut costs through shared aircraft maintenance, fuel buying and spares purchasing and greater huying power in booking holiday accommodation.

Owners Abroad said the tie-up with Thomas Cook would enable it to increase its sales through the latter's retail outlets.

After successfully repelling the Airtours bid, bowever, Owners Abroad's chairman and managing director resigned after disclosing that profits would be only half of market expectations.

The new leadership at First Choice has been unable to establish a harmonious relationship with WestLB. It is understood that quarterly strategy meetings between the two sides have been cancelled by the Germans. Few of the planned benefits of the link between First Choice and LTU have been realised, although relations between First Choice and Thomas Cook have been warmer.

Woolworth chief in US leaves after rift

By Richard Waters in New York

Mr William Lavin, tbe chief executive of Woolworth, has unexpectedly left the US retailer less than five months after being stripped of the chairmanship over the disclosure that the company had falsified financial reports.

Mr Lavin's departure, and the announcement that Woolworth is starting a search for a new chief executive from outside, throws further doubt on the future of the troubled group. Hit by growing losses, the company was forced to cut its quarterly dividend from 29 cents to 15 cents in July.

In a statement late on Friday, Woolworth said Mr Lavin's departure was due to differences with the board over the future direction of tbe company. It refused to say what the differences were, and Mr Lavin could not be contacted for comment. Mr Lavin has resigned as chief executive, vice chairman and a director, "effective immediately". Woolworth said.

The apparent disagreement over strategy throws into doubt the restructuring pursued in recent months by Mr Lavin and raises the spectre of further possihle asset sales to stem the retailer's losses.

Mr Lavin has slashed Woolworth's US general merchandise stores and sold its chain of discount stores in Canada, while expanding in speciality retailing both in the US and abroad. But continuing pressure on profit margins in the US and disappointing results in Europe led to a jump in the group's losses in the second quarter.

The timing of Mr Lavin's departure, on the final day of the third quarter, is also likely to raise stockmarket concerns about the company's recent trading performance.

Mr Lavin had been reinstated as the company's chief executive in May, after stepping aside pending the outcome of an internal investigation into Woolworth's accounting policies. That review found quarterly financial reports in 1993 had been deliberately misstated to allow it report profits rather than losses. Although he was not directly criticised in the internal report, Mr Lavin was stripped of the chairmanship.

The chief executive's job will be filled temporarily by Mr John Adams, the non-executive director who stepped up to become chairman at tbe time of the accounting debacle.

This week: Company news

SHK PROPERTIES

Concerns cloud otherwise healthy market sector

Sun Hung Kai Properties, one of Hong Kong's leading property developers, will post its final results on Friday, effectively winding up the colony's reporting season.

SHK Properties boasts one of the biggest land banks in Hong Kong and the market is looking for an annual increase in earnings of around 30 per cent to HK$6.7bn ($1.13bn). Earnings per share are forecast to improve 23 per cent to HK$3.88. This marks a deceleration on the past three years, partially reflecting the mix of hank and government measures taken to cool Hong Kong's overheating property market.

Results from the big property developers for last year range from a virtually flat performance at Cheung Kong, which is controlled by Li Ka-shing, through to the 64 per cent surge reported by Sino Land, controlled by the Ng family. Despite the stagnant performance, investors were cheered by Cbeung Kong's results which beat the expected 20 per cent decline.

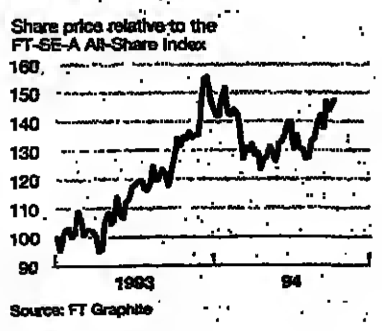
However, the developers go into their new financial year with a number of concerns which could dent this year's healthy rises. Although the government has called off – at least temporarily – its war on rocketing home prices, bank mortgage limits remain in place while interest rates are rising.

Property prices have dropped around 10-15 per cent since April, just after the government revealed its intention to act on rocketing home prices.

In addition, relations between the developers and the government, which controls the supply of land, soured after news of the cooling measures.

Developers responded to the government's move hy forming jumbo consortia at the May land auction, picking up two plots at bargain prices. Their action is now tha subject of an investigation by the Independent Commission Against Corruption.

Bank of Scotland



Source: FT Graphite

BANK OF SCOTLAND

Policy of lending set to pay off

Bank of Scotland, which reports its interim results on Wednesday, is expected to show that its policy of lending through the recession is paying off. Market forecasts of interim pre-tax profits range from £190m to £202m ($319), up from £117.6m at the halfway stage a year ago. Analysts are waiting for earnings per share figures of 9.6p to 10.4p, of which about 2.1p will go in dividend.

The figures are contingent, above all, on estimates of Bank of Scotland's bad debt provision. If it falls at the rate of other UK banks, profits would turn out at the higher end of the range. But Scotland, which never went into recession as deeply as other parts of the UK, has commensurately less potential to rebound.

Other banks have achieved profit growth as the UK economy comes out of recession. But none have improved their results at the same time as increasing lending and income at the pace of Bank of Scotland. One analyst forecast 9 per cent growth in total income in the year to this first half. The next fastest growing UK bank achieved total income growth of 7 per cent and the figures of one actually declined by 4 per cent.

Bank of Scotland has had room to expand in that its business a decade ago was exclusively north of the border. Now more is in England and Wales than in its home territory.

OTHER COMPANIES

Disposal loss may drag predicted Suez advance

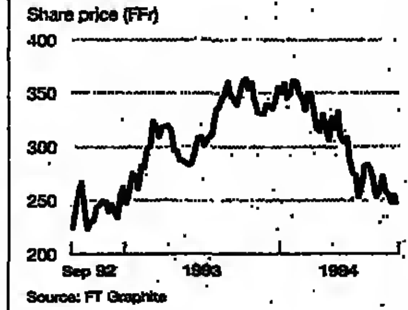
Suez, the French financial services and investment group, is to announce its half-year results for the year to June 30 on Wednesday, with some analysts predicting profits of FFr800m ($151.5m) compared with FFr516m at last year's interim.

Most of the results of the principal companies controlled by Suez are now known, but much hinges on the accounting policy the group adopts in showing its position.

One significant influence will be the way it handles the FFr1.3bn loss on disposal of its stake in Victoire, the insurance group, which was bought by Commercial Union earlier this year.

■ Hewden Stuart: Sir Matthew Goodwin, chairman, can be relied on to give an insight into the state of the UK construction industry when he reports interim results on Wednesday. The Glasgow-based company is the UK's biggest independent plant hire group and is involved in every sector, from housebuilding to roads and industrial projects. Analysts expect a sharp increase in pre-tax profits for the six months to July 31, from £9.1m to about £13.5m ($21.33m). Interest will focus on the trading outlook and what returns have been made from the Hireplant assets of BET – 24,00 items of plant and

Suez



Source: FT Graphite

29 freehold properties which Hewden Stuart snapped up for a mere £11m last year.

■ Etam: The UK fashion retailer is expected to deliver an increase of more than 50 per cent in interim profits to £3.7m ($5.8m) on Thursday. The company's strategy of defending margins in the face of heavy discounting by rival fashion retailers is thought to be paying off. Shares in the group, which is heavily weighted towards the second half, have risen from the year's low of 217p in April to well over 300p.

■ Browning-Ferris Industries: The US waste services group is expected to publish its offer document this week detailing its hostile £364m ($575.1m) cash offer for UK-based Attwoods. Laidlaw, Attwoods' largest shareholder, has agreed to sell its 29.8 per cent stake et 109p per share, and its 73 per cent preference holding at 85p.

Companies in this issue

KPMG expects record year for flotations

By Simon Davies

Despite record numbers of issues being pulled and a disturbing level of profit warnings from recent candidates, 1994 is still set to break records for flotations, according to KPMG Peat Marwick.

According to the latest statistics from the accountancy group, there were 182 flotations in the first nine months of the year, marginally higher than the 180 issues launched in 1993.

So far this year, KPMG estimates that a total of £7.8bn has been raised from new issues, and it expects that a pick-up in activity before the November budget should put the final tally comfortably ahead of the 1986 record of £9bn.

This has happened in a year when offerings from Nottingham Group, Aerostructures Hamble, McDonnell Douglas Information Systems, and United Carriers have all followed upbeat share offers with profits warnings.

Mr Neil Austin, head of new issues at KPMG Corporate Finance, claims that "those investors who have had their fingers burnt will be particularly wary when looking at the new issues they are now being offered".

"It is not difficult to see that some companies and their advisers will be facing an uphill struggle to convince investors that they are of a suitable size and quality to join the main stock market."

Some issuers have already given up the fight. London Capital Holdings was the first large issue to be pulled this year. It is not expected to recover from the shock, with Citibank considered more likely to sell off the properties.

The downturn in the stock market since late August has exacerbated concern at the recent statements from Aerostructures Hamble and MDIS.

The combined effect has sparked the likely postponement of offers for carton manufacturer Boxes, pizza chain Bright Reasons, and newsagents Martin Retail. Mr Austin said there were some others that had also been added to the danger list.

A higher number of companies have been forced to radically cut back their target for capital raising. Pre-marketing exercises have been followed by advisers radically scaling back price expectations in an attempt to relieve the current institutional indigestion.

Games Workshop cut back its target capital raising from £20m to £12m when it announced its pricing last Friday, and others will follow.

As Mr Austin said: "It is getting to the stage of the economic cycle where a trade sale is becoming a meaningful alternative to flotation for people who need an exit within the next six to nine months."

Baris refinances and restates results

By Gary Evans

Baris Holdings, the USM-traded building services company, plans a refinancing. The announcement accompanied restated results for its last financial year to include a £1.68m writedown on the Little Britain project in London.

This follows settlement of arbitration proceedings against Wimpey Construction after the Baris results were originally announced in May and increased the pre-tax loss to £3.12m for the year to February 28. This compared with a reported £1.43m loss in May and a £351,000 deficit previously.

Baris plans to raise £1.72m net, by way of a placing and 9-for-8 open offer of 7.99m new shares at 25p. In addition, the company is converting £2m of bank debt by way of a subscription for 5m convertible preference shares at 40p each, convertible into ordinary shares of 10p each on a 1-for-1 basis.

The proposals are subject to shareholders' approval at an EGM, but Baris warned that if they were not implemented "the company may unable to continue to trade".

The company has requested that the Stock Exchange waive the USM requirement and allow the placing and open offer to be made at a discount to the current share price of greater than 10 per cent. On Friday the shares fell 6p to 33p.

Mr Arthur Morton, who is currently chairman of a number of qnoted companies including Vistec Group, the computer systems supplier, but who at present does not own any shares in Baris, has undertaken to subscribe in full for those shares not taken up. After this he will hold a minimum stake of 15.8 per cent and a maximum 36.4 per cent.

Hillsdown plans to redefine premium account

By Christopher Price

Hillsdown Holdings, the food manufacturing group, is to seek shareholders' permission to redefine £420m of its share premium account as other reserves.

The company said the move was a technical one which would enable it to use the share premium account reserves to write off goodwill which had previously arisen on acquisitions.

The write-offs had amounted to £562.5m over a number of years, and had previously been set against the profit and loss reserves. The latter stood at £22m at the 1993 year-end.

An emergency shareholders meeting has been set for October 28, and if approved, the company must apply to the courts to approve the change in definition.

Hillsdown stressed that the reserves would not be allowable initially as redistributable reserves from which dividends are paid. However, they could become allowable after any restrictions that the court might put on its ruling are met.

Air France reduces loss to FFr2.61bn

By John Ridding in Paris

Air France, the French state-owned airline, reduced losses for the first half of the year to FFr2.61bn ($495m) from FFr3.82bn in the same period in 1993.

The French flag carrier, which is in the midst of a restructuring package after several years of substantial losses, has said it hopes to limit losses to about FFr3.7bn in the 15 months to the end of March 1995. In 1993, the airline had a net deficit of FFr8.48bn.

In an attempt to return to profits, Mr Christian Blanc, chairman, has implemented a restructuring package aimed at increasing productivity by 30 per cent by 1997. The plan is to be accompanied by a capital injection of FFr20bn from the French state over the period.

Air France cited some signs of encouragement in the first six months. It said that sales had stabilised after the sharp decline of 1993 and totalled FFr27.5bn. The overall figure masked an increase in volume sales of about 10.6 per cent, which was offset by price reductions as the company sought to win back passengers from rival airlines.

Operating profits rose from FFr657m to FFr1.61bn. According to Air France, it was only from April that the underlying results started to benefit from the restructuring and cost-cutting plans from April.

The company has been pursuing a series of asset sales to help reduce debts, which amounted to about FFr40bn at the beginning of the year. Last month, Air France announced the long-awaited decision to sell its controlling stake in the Méridien hotels chain to Forte.

Expenditure on acquisitions totalled FFr4.94bn during the period. This principally represented the purchase of aircraft, including three Airbus A340s and two Boeing 767s.

The period since the end of June has brought a reorganisation of the group structure. Air France has sold its holding in Air Inter, its domestic subsidiary, to a new holding company which groups the two carriers' interests.

NEWS DIGEST

Atlas jumps by 35% to £1.86m

Atlas Converting Equipment, the manufacturer of slitting and rewinding machinery, improved pre-tax profits 35 per cent in the half year to June 30, from £1.38m to £1.86m, on turnover virtually unchanged at £19.3m.

Mr Christopher Rogers, chairman, said continuing difficult trading conditions had again resulted in low margins, with "no immediate prospect" of improvement. However, improved results at General Vacuum helped offset lower margins elsewhere. He added that the order book in all divisions led the company to expect an increase in output and profits for the second half.

A 7p interim dividend is maintained on earnings per share of 11.86p (10.01p).

Betacom falls 61%

Betacom, the consumer telecommunications company 66.17 per cent owned by Amstrad, reported pre-tax profits of £203,000 for the year to June 30.

The 61 per cent fall, from £516,000, came on the back of turnover marginally ahead at £13.5m (£12.1m). Earnings per share were cut to 0.3p (0.83p).

Operating profits for the period improved to £138,000, compared with £57,000; however, this year's pre-tax figure included a £55,000 provision for loss on sale of fixed assets, while last year's included a £213,000 profit on the sale of fixed asset investments.

Darby advances 49%

Darby, the USM-quoted maker of specialist glass products, lifted pre-tax profits by 49 per cent from £379,000 to £565,000 in the six months to August 31.

Turnover improved by 6.7 per cent to £8.29m (£7.77m). The interim dividend is lifted to 0.9p (0.5p), payable from earnings of 2.67p (2.2p) per share.

Mr Michael Darby, chairman, said the group's concentration on improving the overall quality and mix of the business had proved successful, evidenced by the continued development of niche markets.

Waterman ahead

Waterman Partnership, the consulting engineer, benefited from increased activity in the property and construction sectors, reporting a 61 per cent increase in pre-tax profit from £124,000 to £200,000 for the year to June 30.

Turnover improved 12 per cent from £7.35m to £8.22m. Earnings per share were 0.3p (0.1p) but the proposed final dividend is maintained at 0.5p for an unchanged total of 1p.

Just £55,000 in red

Just Group, the character licensing company which came to the market in March, incurred a pre-tax loss of £55,000 for the six months to May 31 on turnover of £409,000.

Mr Wilf Shorrocks, chairman, said the company now represented 10 properties on an exclusive basis. He added that the management believed the full benefit of properties "can only be obtained over a three-year period.

Losses per share were 0.11p.

Inoco declines to £250,000

Inoco, the USM-quoted property group, reported a fall from £834,000 to £250,000 in pre-tax profits for the six months ended June 30.

Turnover, however, improved from £4.81m to £5.44m.

There was a £2.8m loss (£11,000 profit) on investments and a profit of £1.22m, against losses of £4,000, on the disposal of investment properties.

Earnings per share at this Norwich-based company declined from 0.4p to 0.12p.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Reckitt & Colman (UK)	L&F Household (US)	Household products	£1.03bn	Reckitt changing focus
Allianz (Germany)	Elvia (Switzerland)	Insurance	£739m	Swiss Re non-core sale
Normandy Poseidon (Australia)/BRGM (France)	Alliance	Mining	£362m	Multi-part multi-national pact
Prince Al-Waleed Bin Talaal (Saudi Arabia)	Four Seasons Hotels (Canada)	Hotels	£78m	Building up leisure interests
Sega Enterprises (Japan)	Atari Corp (US)	Video games	£60m	Stake plus rights deal
Acatos & Hutcheson (UK)/ Archer-Daniels-Midland (US)	Strategic alliance	Food processing	£27m	Capital injection + joint venture
TI Group (UK)	Technoflow (Germany)	Engineering	£19.4m	Three-stage buy agreed
Scitex Corp (Israel)	Immix (US)	Video equipment	£13m	UK's Carlton taking profit
National Westminster Bank (UK)	HFDC Bank (India)	Banking	£10m	Plans for 20% stake
Camas (UK)	*C&M Ready Mix (US)*	*Building materials*	*£9.5m*	*Aggregate move*

Banque Hervet in black

By Andrew Jack in Paris

Banque Hervet, the French retail bank, recovered to return profits in the first half of the year of FFr28m ($5.3m) compared with losses of FFr361m in the previous corresponding term.

Hervet was scheduled last year to be sold by the government as part of its privatisation programme, but the plan was shelved this spring pending a recapitalisation.

The bank said the privatisation plans were still suspended, although a recapitalisation agreed with shareholders was completed in June this year.

Hervet reported provisions down substantially and said all of its operations has been profitable except Hervet Crédit, specialising in property financing. Its solvency ratio stood at 10.5 per cent, against a regulatory minimum of 8 per cent.

Saint-Louis climbs sharply

By David Buchan in Paris

Saint-Louis, the French food and paper group, lifted first-half profits to FFr401m ($76m), compared with FFr252m in the same period of 1993, on a 2 per cent rise in turnover to FFr17.75bn.

The sharp profit increase was partly accounted for by restructuring costs in early 1993 for the group's Euralim food subsidiary and its Arjo Wiggins Appleton paper subsidiary that did not reoccur this year.

However, the profit contribution of the group's paper business rose to FFr229m compared to FFr156m in the first half of last year.

In Europe, Arjo Wiggins Appleton significantly improved profitability which in the US was maintained at a high level, the group said.

COMPANIES AND FINANCE

Hoechst plans big restructuring

By Christopher Parkes in Frankfurt

Germany's Hoechst chemicals group is to sweep away its antiquated, centralised management and operational structure in the most ambitious shake-out ordered so far by Mr Jürgen Dormann, the new chairman.

The changes, effective from January 1, will reduce the number of operating divisions from 15 to seven and transfer responsibility for divisional strategy and profits to their managers, the company said.

This will leave the main board free to concentrate on group strategy, supported by a central administration comprising about 200 people. Previously centralised responsibilities for factories and departmental functions are to be passed down to individual divisional managements.

"We need more entrepreneurial initiative, market and customer orientation and greater flexibility," the group said in a notice to staff. The current structure was "a fine-meshed net, trapping and considerably delaying decisions, business processes, customer demands and change," it added.

Mr Dormann, who took charge in May, said recession had exposed structural weaknesses in the group which had not yet been repaired. It could not allow itself to fall into such a situation again, he said, recalling that it had been forced to close more than 20 German fine chemicals plants during the recent slump.

Mr Dormann warned that decentralisation did not mean operating divisions could allow themselves the luxury of heavy overheads.

"It is the job of divisional chiefs to keep their structures lean or slim them even further," he said.

Under the plan, future operating divisions will comprise chemicals, special chemicals, fibres, plastics and film, engineering plastics, pharmaceuticals and diagnostics.

The number of business units, covering distribution, packaging and other functions, will also be cut from 120 to about 30, while subsidiaries, such as Schwarzkopf personal care, Uhde plant construction, Herberts coating and paints and Messer Griesheim industrial gases, will be run as independent companies.

The possibility of merging central engineering services into Uhde is currently under investigation.

The move will destroy the pyramid structure commonly found in many German groups – with most decisions being made at the apex – and replace it with a flatter hierarchy in the modern Anglo-American style.

It follows specific restructuring measures, such as the consolidation of global fibres operations into one division now controlled out of the US.

The healthcare business recently announced closer integration of its French subsidiary, Roussel Uclaf, into other pharmaceuticals operations.

Mr Jean-Pierre Godard, drugs chief, said the aim was to cut out duplication in research and manufacturing and increase gross operating margins, currently about 10 per cent of sales, to 14 per cent within three years.

Including a reduction of 800 in the workforce, the rationalisation measures are expected to save tha group DM200m ($129m) a year, Mr Godard said.

BHF-Bank hit by bond market downturn

By Andrew Fisher in Prague

BHF-Bank has announced flat operating profits for the first eight months of 1994 as a result of the downturn in world bond markets and higher risk provisions, but said recently announced restructuring plans should lead to a big rise in eventual profitability.

Group operating profits totalled DM202m ($131m), a drop of 0.1 per cent on the first eight months of 1993. Compared with eight-twelfths of last year's total – the usual comparative basis at German banks – the decline was 6.4 per cent.

Mr Wolfgang Strutz, the bank's senior partner, said profits on own account trading had fallen by 89 per cent using the eight-twelfths comparison, mainly as a result of write-downs in BHF's bond portfolio. Risk provisions had risen by 5.7 per cent, with the bank exposed to both the Schneider property and Procedo/Balsam factoring collapses.

Growth in partial operating profits, which exclude own account trading, was 17.7 per cent; the bank gave no total. Interest rate business produced profits growth of 14 per cent, with commission income up by 2 per cent.

Elaborating on the new structure, to be put in place over the next year, Mr Strutz said this should lead to "a significant increase" in earnings per share. But the investment in new systeme and people would affect the 1995 result and probably that of 1996.

Compared with the 1993 return on capital of 13.4 per cent before tax, he said the bank was aiming at 20 per cent. The aim was to earn returns similar to those of other international banks.

BHF is refocusing its activities to become one of Europe's leading advisory and trading banks in the next five years.

BHF, in which the Allianz insurance group and DG Bank own large minority stakes, will concentrate on corporate banking, financial markets, and private banking and asset management.

Market gives Ebner first round in battle for UBS

Ian Rodger reports on the opening moves in a banking confrontation

The prices of the bearer and registered shares of Union Bank of Switzerland displayed rare volatility on Friday as investors struggled to guess the outcome of the war that had just been declared between the directors of one of the world's most highly respected banks and Mr Martin Ebner, a little known Zurich broker-fund manager.

At the close, the market seemed to be backing Mr Ebner, no small tribute to the immense resources and influence this intense man has accumulated since setting up his BZ banking group nine years ago. However, the unavoidable final showdown at a UBS extraordinary general meeting on November 22 is still seven weeks away.

The main issue is whether a group of shareholders representing only a minority of the capital should be able to control the board. But the battle is also part of an ongoing struggle between an old, self-serving Swiss financial establishment and e new generation of asset managers who want better performance from their Swiss investments.

And it is a personal confrontation between Mr Nikolaus Senn, the garrulous UBS chairman who cannot conceal his distaste for a cheeky upstart, and a successful outsider who resents the posturings of someone whose stewardship of Switzerland's largest bank has been undistinguished.

Mr Ebner's interest in UBS dates from 1991, when he launched BK Vision to invest in financial equities. It was apparently set up in part to accommodate the wish of some of his clients to shift their less liquid holdings.

UBS registered shares suffered from a small float and a restriction permitting only Swiss nationals to vote them, and traded at a substantial discount to the bearers. From the start, these securities have been among BK Vision's largest holdings.

Mr Ebner made clear that BK would be an active shareholder – nudging directors towards greater transparency and sensitivity to shareholders – and has been particularly aggressive in needling UBS.

In its latest dig, BK Vision put a motion on the UBS AGM agenda in the spring proposing that the number of board members be reduced from 22 to a maximum of nine. Mr Senn resisted it with a farrago of pretentious arguments about UBS's responsibility for the whole Swiss economy and, armed with the usual fistful of proxies, he carried the day.

But Mr Ebner, to his immense surprise, ettracted some 40 per cent of the votes, and it now looks as if he interpreted this support as a wider mandate to challenge the bank's basic policies.

According to Mr Senn, Mr Ebner told him he was trying to corral a majority of the votes with a view to installing e new board et the next annual general meeting and directing UBS to abandon its universal strategy and concentrate instead on investment banking and asset management.

As UBS has a market capitalisation of over SFr30bn, it would normally be extremely difficult for anyone to accumulate enough votes for such a cause, especially as the bank's performance, while mediocre, is not distressing. But those registered shares that BK Vision holds have five times the voting power of bearers.

Claiming it would be unfair for investors representing only a minority of its capital to take control, the UBS board last Thursday proposed splits of both the bearer and registered shares, giving them equal voting power. The registered shareholders' aggregate voting power would fall from 50 per cent to 20 per cent, in line with their capital commitment.

Predictably, BK Vision cried foul, saying the bank would take away the registered shareholders' property rights without compensation. The registered shares have been trading at a substantial effective premium to the bearers in the past few months, but only because Mr Ebner and his allies have been buying them.

Mr Ebner is on stronger ground when he argues that his goal is to focus the bank's efforts on profitability, which he says is in the interest of all shareholders.

UBS directors face a tough struggle. They must win two-thirds of the votes at the EGM plus a majority from each share class. That means they must convince many Swiss registered shareholders, including UBS employees, it is in their interest to see those shares lose a quarter of their value.

If investors thought UBS was going to win, the premium on the registered shares should have disappeared on Friday. But at the close, it still stood at 26 per cent.

Maverick hunter, Page 18
Lex, Page 20

First results for Ina since privatisation

By Andrew Hill

Ina, the Italian insurance company, reported parent company pre-tax profits of L250bn ($160m) for the first half of 1994, in its first results since June, when the Italian treasury privatised 51 per cent of the company.

Comparison with last year's figures is misleading, because until October 1993 Ina benefited from compulsory contributions from other Italian insurers, but the company pointed out that in the whole of 1993, its pre-tax profit amounted to only L274bn.

Group premium income reached L2,970bn, up 12.8 per cent on the equivalent period, L1,218bn from life activities, and L1,752bn from non-life.

● Istituto Bancario San Paolo di Torino, Italy's biggest banking group, reported a net profit in the first half of L203bn, almost the same as last year, but operating profits fell by 21 per cent to L862bn.

San Paolo has been affected, like all Italian banks, by pressure on interest margins and paper losses on its investment portfolio, compared with the favourable conditions of the first six months of last year.

Ferfin cuts debt by near 30%

By Andrew Hill in Milan

Capital increasas and asset sales enabled Ferruzzi Finanziaria, the financial holding company of Italy's Montedison industrial group, to cut debt in the first six months of this year by nearly 30 per cent to L15,768bn ($10bn).

At end-1993, Ferfin's debt stood at L21,951bn, or 5.5 times net equity. The debt-equity ratio had come down to 1.7 by June 30. Last year creditor banks of Ferfin and Montedison agreed to convert some of their loans into equity to rescue the group from near-collapse following years of alleged mismanagement.

Ferfin also reported a return to pre-tax profit of L144bn in the first half, compared with a loss of L840bn in the first six months of 1993.

The group said that it expected the second half to be even better than the first, but warned that the net result of the group would still be negative.

In 1993, Ferfin reported a consolidated net loss of L2,419bn, and Montedison a net loss of L1,611bn.

In the first half Ferfin's turnover rose to L11,431bn, against L11,489bn.

● Ciga, the Italian luxury hotels group controlled by ITT of the US, has cut its losses and reduced debt in the first half of 1993.

The consolidated net loss for the first six months of the year reached L64bn, compared with L110bn in the equivalent period of 1993, thanks partly to an improved performance from the core hotels division.

The group's share issue earlier this year has also allowed Ciga to reduce its debts to L232bn at June 30, compared with L1,102bn six months earlier. ITT, the US conglomerate which owns the Sheraton hotel chain, has 35.25 per cent of Ciga, and has launched a formal bid for a further 35.25 per cent, which will close at the end of this week.

MIM sale cuts ties with Cominco

By Nikki Tait in Sydney and Bernard Simon in Toronto

MIM Holdings, the Queensland-based metals group, has sold its remaining 8.65 per cent holding in Cominco, the North American mining and smelting group, for C$164.9m (US$123m).

The sale cuts all shareholding ties between the two companies and ends an ambitious international base-metals alliance which was stitched together during the 1980s by MIM, Germany's Metallgesellschaft and Teck Corp of Vancouver.

Earlier this year, MIM sold its half share in Numachiaq, a private investment company, to Teck for C$139.7m. Numachiaq's principal assets included a 27.7 per cent holding in Cominco, as well as a 22.46 per cent interest in the Polaris zinc-lead mine joint venture.

Metallgesellschaft earlier this month sold the bulk of its international mining assets, including indirect stakes in Teck and Cominco, with the disposal of a controlling stake in Metall Mining of Toronto.

In the case of the latest Cominco sale, MIM said that the shares had been "broadly distributed" among investors on a block trade basis at C$24 a share. The disposal of the 6.87m shares will generate a C$11m profit before tax for MIM's Canadian subsidiary.

Aeromexico board launches probe

The board of Aeromexico, Mexico's largest airline carrier, is investigating alleged financial irregularities by the former management of the company that may prevent it from covering some of its financial obligations, writes Damian Fraser in Mexico City.

Shareholders were informed that $50m of company funds could not be accessed, because of possible "irregular conduct" involving the alleged use of the money as collateral to buy shares or receive a loan.

A senior government official confirmed that the authorities were looking into alleged illegal use of the company's funds by previous management.

The announcement follows last month's resignation of Mr Gerardo Prevoisin, the former chief executive. Mr Prevoisin had been unable to reach agreement with banks over rescheduling of debt of Mexicana, the airline that Aeromexico took over last year.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

Do. 4.38% Rd. Pf. '98 17.52p
Carlton Comms. 2.75p
Casket 0.7p
Central Motor Auctions 0.5p
Chieftain 1.5p
Clarke (T) 1.28p
Colefax & Fowler 0.5p
Compco 12.96p
Cook (DC) 0.7p
Cook (Wm) 5p
Craig & Rose 5% Cm. pf. 1.75p
Nicholson 0.6p

Govett Emerg. Mkts. Inv. Tst. 0.25p
Granada 3.33p
Grand Metropolitan 5.15p
Great Southern 4.5p
Hambros 7½% Cm. Pf. 3.75p
Hampson Inds. 1.5p
Do. Cv. Pf. 1991/2003 3.25p
Hanson 3p
Harrington Kilbride 1p
Hazlewood Foods 4.3p
Hewetson 0.75p
Heywood Williams Cv. Pf. 3.375p

Moorfield Estates 0.5p
Morris Ashby 4p
Morton Sundour Fabrics 3½% 1st. Pf. 1.75p
Murray Split Cap. Tst. 2.65p
Do. Units 26.5p
Neepsend 0.75p
New S.Wales Tres.12.1% Gtd. Exch. Bd. '95 A$805.0
NFC 1.5p
Nobo 4p
Northamber 0.8p

Sears Roebuck $0.40
Severn Trent 15.2p
ShareLink Inv. Services 6p
Siebe 7.34p
Skandia Cap 11% Gtd. Nts. '98 £110.0
Smith (David S) 8p
Southend Property 1.8p
Do. Pf. 3.5p
Southern Electric 16p
Southern Water 15.4p
South Western Elect. 16.5p
Standard Chart. 7¾% Non-Cm.

Budgens 0.7p
Burtonwood Brew. 7% Cm. Pf. 2.45p
European Motor 2.525p
Eyecare Products 0.5p
Hewtin 0.275p
Matthew Clark 10.75p
Northern Elect. 17.45p
Park Food 1.567p
Premark Int. $0.20
Reliance Security 3.6p
Rexmore 1.5p
Sims Food 5.5p

Do. West Middx. Water 3% Db. £1.50
ML Hldgs. 0.65p
Peel Hldgs. 3.2p
Scottish American Inv. 1.2p
Treasury 8% Ln. 02/06 £4.0
Treasury 3% (1975 of After) £1.50
Williamson Tea 15p

■ THURSDAY
OCTOBER 6
Armitage Bros 3.7p
Bampton Prop. 7¾% Un.

Whitbread 9% Un. Ln. 97/2001 £4.50

■ FRIDAY
OCTOBER 7
Admiral 2.5p
Alliance Tst. 15p
Do. 4% Pf. £1.40
Do. 4¼% Pf. £1.4875
Do. 5% Pf. £1.75
Amicable Smaller Ent. Tst. 1.7p
Blocks Leisure 1.5p
Brad. & Bingley Bldg. Scty.

Syltone 3.31p
Thorn EMI 25p
Treatt 1.2p
Union 1.5p
Victaulic 2.6p
Warner Estate 3.85p
Yorkshire Chemicals 2.75p

■ SUNDAY
OCTOBER 9
Blockbuster Ent. $0.025

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Adscene, Camburgh House, 27, New Dover Road, Canterbury, Kent, 11.00
Ashtead Grp., 30, Furnival Street, E.C., 12.00
TR Smaller Co's Inv. Tst., 3, Finsbury Avenue, E.C., 11.30
BOARD MEETINGS:
Finals:
Gates (Frank G)
Rossmont
Interims:
Bilton
Betterware
Bisichi Mining
CI Grp.
Chiroscience
Densitron Int.
Doeflex
Grand Central Inv.
Herring Baker Harris
London & Assoc. Inv.
Porth Grp.
OS Hldgs.

■ TOMORROW
COMPANY MEETINGS:
Courtyard Leisure, 62, Carter Lane, E.C., 10.00
Fleming Enterprise Inv. Tst., 25, Copthall Avenue, E.C., 12.00
BOARD MEETINGS:
Finals:
British Building & Eng. Appliances
BZW Endowment Fd.
Interims:
Asda Property
Boosey & Hawkes
Johnston Grp.
Lamont Hldgs.
Silentnight
VCI
Watts Blake Bearne

■ WEDNESDAY OCTOBER 5
COMPANY MEETINGS:
Abtrust Preferred Inc. Inv. Tst., 99, Charterhouse Street, E.C., 12.30
First Technology, 50, Stratton Street, W., 11.00
Fleming Emerging Markets Inv. Tst., Insurance Hall, 20, Aldermanbury, E.C., 12.00
Whinney Mackay-Lewis, 55-65, Whitfield Street, W., 3.30
BOARD MEETINGS:
Finals:
Finelist
Prestwick
Interims:
Bank of Scotland
Hewden-Stuart
Morgan Grenfell Latin American Co's
Trafficmaster
Walker Greenbank

■ THURSDAY OCTOBER 6
COMPANY MEETINGS:
Armitage Brothers, Armitage House, Colwick, Nottingham, 11.00
Ellis & Everard, Grocers Hall, Princes Street, E.C., 12.00
Verity Grp., 62, Threadneedle Street, E.C., 11.00
BOARD MEETINGS:
Finals:
Ex-Lands
Wehmiller (Barry)
Wetherspoon (JD)
Interims:
Beradin
Etam
Helene
Henderson Highland
Plantation & General
Rademec
Sherwood
Taiwan Inv. Tst.

■ FRIDAY OCTOBER 7
COMPANY MEETINGS:
Verson Int., Chamber of Industry & Commerce, 75, Harborne Road, Birmingham, 10.30
BOARD MEETINGS:
Interims.
Chepstow Racecourses
Cohen (A)
Fitch
Geest
Slingsby (HC)

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

CONFERENCES & EXHIBITIONS

OCTOBER 3-4
Global Emerging Markets '94
is a mining investment conference which features the top developing countries for mineral investment and the companies operating in those countries. Sponsors include Mining Journal, BHP, Cambior, Minorco, Homestake Mining, Metall Mining, Niugini Mining, plus more.
For registration phone
010 305-670-1963 or
fax 0101(305) 670-0971
LONDON

OCTOBER 11
Measuring the value of I.T. Investments
This conference discusses how to asses the value of I.T. projects and prioritise I.T. Investment successfully. It presents guidance from leading academies and consultants, as well as insights from the experience of major organisations, to both the private and public sector.
Contact: Business Intelligence
Tel: 081 543 6565 Fax: 081 544 9020
LONDON

OCTOBER 11/12
Practical Dealing course - Foreign Exchange
Training in Spot and Forward forex dealing for trainee/junior dealers and Corporate treasury personnel. Highly participative course including WINDEAL (PC Windows-based simulation). Training effected by practitioners with many years market experience. £480 + V.A.T.
Lywood David International Ltd.
Tel: 0959 565820 Fax: 0959 565821
LONDON

OCTOBER 11 and 14
Using Video In Training
Video Arts, the world leaders in video training programmes, are holding a series of one day presentations.
The event features four interactive training workshops, a chance to preview award-winning training programmes and an opportunity to get hands-on experience of CD-I - the latest training technology.
Contact Emma Marshall at Video Arts
Tel: 0171 637 7288 Fax: 0171 580 8103
LONDON/MANCHESTER

OCTOBER 13
China Investment, Patent & Trade Mark Conference
Held within framework of Industrial Property Programme for China financed by EC. Topics include Economic Trade Relations between China and Europe, Patent & Trade Mark Protection, Industrial Property Law Enforcement. High level Chinese Delegation. Conference fee: £140 + VAT.
INTERFORUM Tel: +44 (0) 71 386 9322
Fax: +44 (0) 71 381 8914
LONDON

OCTOBER 13 & 14
The Management of Product Safety & Quality
Product Safety & Quality are the responsibility of everyone concerned in the production of goods. This seminar will provide opportunities to hear clear and practical explanations by leading experts.
Further details from International Professional Conferences Ltd
Tel: 061 445 8623
LONDON

OCTOBER 14
Law on Insider Dealing
Seminar examining the impact of the new law and its likely interaction with other law. Developed jointly with Travers Smith Braithwaite with key input from the Stock Exchange and compliance professionals.
Contact: Ben Goh at Quintessence Business Training.
Tel: (0908) 322450 Fax: (0908) 220213
LONDON

OCTOBER 17
MBA - Business School Reception
The Association of MBAs will host its annual Business School reception for intending students. Over forty leading schools from continental Europe, USA and the UK. Free of charge. To register to attend and for further details contact the event sponsor, NatWest Bank on
Tel: Freephone 0800 282 700.
LONDON

OCTOBER 17 & 18
Employee & Union Participation for Change
Management and union representatives will relate their experiences in setting up working partnerships for change. This highly practical conference will give union representatives, employees and management a valuable insight into critical aspects of successful working relations.
Contact: Rachel Thomas or Sarah Williams
IBC Technical Services
Tel: 071 637 4383 Fax: 071 631 3214
LONDON

OCTOBER 18
Getting your Message Across In Europe
CBI Conference, in association with Grice Wheeler Business Communications, considers ways (print, broadcasting, lobbying, IT, branding etc) to meet the challenges of communicating in the Europe of Tomorrow.
Contact: Nicola Martin, CBI Conferences
Tel: 071 379 7400 Fax: 071 497 3646
LONDON

OCTOBER 18-19
INPOWER 94
The Independent Power Generation Conference and Exhibition, Kempton Park Exhibition Centre, Sunbury-on-Thames, Surrey, England. For free admission tickets contact:
Lorraine Rogers,
FMJ International Publications Ltd.
Tel: (0737) 763611 Fax: (0737) 761685
KEMPTON PARK

OCTOBER 18/19
Introduction to Foreign Exchange and Money Markets
Highly participative training course covering traditional FX and money markets featuring WINDEAL (PC Windows based dealing simulation). For Corporate treasurers, bank dealers, marketing executives, financial controllers, systems and support personnel.
£460 + V.A.T.
Lywood David International Ltd.
Tel: 0959 565820 Fax: 0959 565821
LONDON

OCTOBER 19
Practical BPR - Implementation Issues
2nd Annual Conference of the BPR Study Group (200+ members)
New (never disclosed before), recently successful Case studies presented with interactive sessions from senior management and practitioners. Lively discussions and demonstrations including speakers from Citibank International, Nationwide Building Society, Alliance and Leicester, Capital Home Loans, Pickfords and more.
Contact: Steve Towers, Hanson Associates
Tel: +44 (0) 941 120118
Fax: +44 (0) 608 663829
LONDON

OCTOBER 20
The Nuclear Review
Conference examining the outlook and opportunities for the UK Nuclear Industry and the issues for future energy policy. Speakers include: Tim Eggar MP, Minister of State for Energy, as well as senior representatives from Framatome, BNFL, Greenpeace, Nuclear Electric, NIREX UK & MORI.
Contact: Oonagh Goodman,
The Waterfront Conference Co.
Tel: +44 (0) 171 730 0410
Fax: +44 (0) 171 730 0460
LONDON

OCTOBER 21
Commercial Agents
CBI/Warner Cranston half-day seminar considers the way forward for principals and agents and provides practical guidance for operating under the new laws.
Contact: Belinda Rogerson,
CBI Conferences
Tel: 071 379 7400 Fax: 071 497 3646
LONDON

OCTOBER 24
Social Justice Commission Report
The final report of the Commission on Social Justice. Housing, employment, personal finance and government policy examined. Sir Gordon Borrie, Tony Blair MP, Bea Campbell, Christopher Haskins, Patricia Hewitt, Sheena McDonald, John Monks.
Contact: Neil Stewart Associates
071 976 0682
LONDON

OCTOBER 24
The Information Superhighway
A conference to examine and highlight the challenges and applications in commerce and the public sector of the new telecommunications technology, and to examine Government policies to face those challenges. Government Minister and Larry Irvine, USA Secretary of Commerce
Contact: Neil Stewart Associates
071 976 0682
LONDON

OCTOBER 24-25
International Polypropylene Conference
The Institute of Materials has organised this important conference to bring the best speakers in the polypropylene industry together to help catalyse the recovery in the business.
Contact The Institute of Materials
Tel: 071 839 4071 Fax: 071 823 1638
LONDON

OCTOBER 24
Structuring Tax Efficient Joint Ventures
Learn the latest tax planning strategies: corporate or partnership joint venture; Tax Tips and planning points for property joint ventures; joint venturing across national borders - what are the tax implications?; requirements and developments in accounting for joint ventures; A tax efficient start: structuring and financing the joint venture.
Contact: Kate Roberts, IBC Legal Studies and Services Limited.
Tel: 071 637 4383 Fax: 071 631 3214
LONDON

OCTOBER 25 & 26
The Third Age of Media
The changing face of media - the media opportunities in the 50+ markets. A joint conference organised by Age Concern England and The Henley Centre, this two day event is a comprehensive introduction to the exciting world of mature marketing and media. Cost: £730 + VAT
Contact: Anna Harman at
The Henley Centre Tel: 071 353 9961
LONDON

OCTOBER 25/26
Successful Selling '94
is the only independent Conference and Exhibition for the Sales and Marketing professional. The Conference programme offers unbeatable value with presentations full of ideas, concepts and hard won experience. Networking opportunities abound.
Call free for a brochure on
Tel: 0800 132 122
BIRMINGHAM

OCTOBER 26
Essential International Tax Technique After The Finance Act 1994
Key Topics include: update on international tax techniques; foreign income dividing; why the UK is an attractive location; impact of the new rules; latest developments in transfer pricing and; integrating the new tax regime into your corporate strategy.
Contact: Kate Roberts, IBC Legal Studies and Services Limited.
Tel: 071 637 4383 Fax: 071 631 3214
LONDON

OCTOBER 26 - 27
BPR 94: Re-engineering, Process Management and Performance Improvement
Europe's leading conference and exhibition devoted to exploring how to apply business re-engineering strategies to achieve quantum leaps in corporate performance. Designed to meet the needs of your whole re-engineering team, from executive sponsor to those involved in planning and implementing projects.
Contact: Business Intelligence
Tel: 081 543 6565 Fax: 081 544 9020
LONDON

OCTOBER 26 & 27
How to Grow your Business using Market Research
Information is becoming fundamental in the running of a business through the use of technology. This two day seminar will show you how to get the best out of research and the real reasons for using it.
Contact - International Professional Conferences Ltd Tel: 061 445 8623
LONDON

OCTOBER 27
International Tax Conference - Managing Global Expansion
Conference on the tax issues facing multinationals in the changing global scene.
Price: £200.00 plus VAT
Contact: Michelle Beard, Ernst & Young
Tel: 071 931 2297 Fax: 071 342 5862
LONDON

OCTOBER 27
Protecting The Brand
Unilever, SmithKline Beecham, British Airways, United Distillers and the Vendome Luxury Group plus other experts will be revealing defensive and offensive strategies, covering packaging, look-a-likes, the new trade mark law and other key elements of brand presentation. At The Institute of Directors. Call Janice Kohut, Century Communications, 071 838 0008
LONDON

OCTOBER 27 & 28
International Bond Congress
A unique opportunity for all professionals involved in the bond markets to increase their knowledge with 98 specialist presentations. With increasing globalisation and deregulation resulting in a dramatic surge in investment flows between countries, this event is an essential information source for the international bond markets.
Contact IBC Event Office
Tel: +44 (0) 1628 776306
Fax: +44 (0) 1628 32323
BARBICAN, LONDON

OCTOBER 31
Manufacturing Matters
The National Pre Budget Conference on manufacturing. A working conference on manufacturing industrial strategy and fiscal policy. Pre Budget outlook from leading communicators.
Contact: Neil Stewart Associates
071 976 0682
QEII CENTRE, LONDON

NOVEMBER 1
Full Circle Into The Future?
The commercial imperatives facing organisations into the 21st Century.
The Henley Centre is celebrating its Twentieth Anniversary with this Conference that looks forward to the next 20 years and what it will bring not only in terms of the big picture but also the commercial implications.
Cost: £350 + VAT
Contact: Anna Harman at
The Henley Centre Tel. 071 353 9961
LONDON

NOVEMBER 3 1994
The 1st Annual Review of IT Law
This prestigious one day conference will have the leading speakers, cover the critical issues, the essential developments, law, litigation, regulation and policy. It will have a practical approach for practitioners by practitioners.
Further details from International Professional Conferences Ltd
Tel: 061 445 8623
LONDON

NOVEMBER 3
Information as an Asset
Workshop for chief executives, chairmen, and managing directors drawing on KPMG's IMPACT Programme. Participants will share their experiences, resulting in a practical guide identifying weaknesses in current performance, and with direction on critical areas for improvement.
Free entry. Contact: Brinley Platts,
071 236 8000
LONDON

NOVEMBER 6-8
CBI National Conference
Speakers include - Kenneth Clarke, Michael Heseltine, Kamlesh Bahl, Paddy Ashdown, Bill Jordan, David Simon, Andrew Buxton, Tony Hales, Howard Davies.
Session Topics include - Europe, Manufacturing, UK Economy, Training, Exporting, Equal Opportunities.
Contact: CBI Special Events Department
Tel: 071 379 7400 Fax: 071 497 3646
BIRMINGHAM

NOVEMBER 7
Beyond "What If" - Management Science In Spreadsheets
Management science techniques to aid planning. Forecasting - to predict future business conditions. Decision Analysis - to improve expected results. Simulation - to assess the impact of uncertainty. Markov Chains - to analyse changing market share. Optimisation - to maximise profit or minimise cost.
Contact: Unicom Seminars
Tel: 0895 256484 Fax: 0895 813095
LONDON

NOVEMBER 7-8
Emerging Stock Markets In Central & Eastern Europe
Meet senior players on region's equity markets. Presentations - panels on exchanges and securities markets in Poland, Czech Slovak Republics, Hungary, Russia, Baltic States, Bulgaria, Romania, Slovenia. Focus on investment strategies, regulation, form of securities.
Euromoney
Arabella Senouillet
Tel: 071 779 8534 Fax: 071 779 8603
LONDON

NOVEMBER 8-9
DRI/McGraw-Hill's World Cars and Trucks conferences
bring together DRI's latest authoritative forecasts with key outside speakers to address the issues of the current cycle in the automotive industry and to anticipate the critical questions to be faced in the next five years.
Contact: Corinne Redonnet
Tel: 0181 545 6212 Fax: 0181 545 6248
LONDON

NOVEMBER 8-9
Quantitative and Computational Finance
Two day seminar hosted by US Embassy. International experts and practitioners review a range of novel quantitative models applied to the finance and securities industries. Derivatives; options; yield curves: successes, failures and experiences will be discussed.
Contact Unicom Seminars, 0895 256 484,
fax 0895 813 095
US EMBASSY, LONDON

NOVEMBER 9
Presentations for Professionals by Professionals
At the Mermaid Theatre, a seminar on creating effective presentations. From presentation techniques and use of language, to AV design, slide production, etc. Businessmen, stand-up comedians and actors demonstrate how to make lasting impressions. Instructional, utterly enjoyable - a must for all presenters. Keynote speaker: Alan Dibbo, Chartered Institute of Marketing.
Contact: E Williams, Executive Presentations
Tel: 071 837 8199 Fax: 071 837 8190
LONDON

NOVEMBER 9
'Visions of Gold'
Conference celebrating the Modern Apprenticeship programme and the part NVQs and skill competitions have to play in them. Speakers include Duncan Goodhew, Mike Heron, Bill Jordan, Prue Leith. Sponsored by Employment Department.
Contact: Hilary Jennings, UK Skills
Tel: 071-753 5222 Fax: 071 436 7630
or Claire Armstrong, National Council of Industry Training Organisations
Tel: 0763 247285 Fax: 0763 247302
ALDGATE, LONDON

NOVEMBER 10
Law and Finance for Small and Medium Sized Companies
- Practical Guidance and Solutions. A one day seminar. Chaired by Paddy Walker, Chairman, Cairnsford Associates Limited, Presented by: Gordons Solicitors, Sony (UK) Limited, Garrett & Co and Interregnum Marketing Limited.
Further details from Kit Stones,
The Conference Team
Tel/Fax: (0234 343384)
SHEPPERTON MOAT HOUSE

NOVEMBER 15 & 16
Strategies for High-Involvement Leadership
Controlling changes; concentrating on high pay-off activities; creating partnerships; strengthening trust; motivating and enhancing team performance; and stimulating innovation. These are issues included in this interactive briefing to train both operations and top management executives to operate effectively in empowered organisations.
Contact: Rachel Thomas or Sarah Williams
IBC Technical Services
Tel: 071 637 4383 Fax: 071 631 3214
ASHDOWN PARK

NOVEMBER 15-16
Business Performance Measurement:
Transforming corporate performance by measuring and managing the drivers of future profitability. This two-day conference explores the relevance and practicability of developing new "corporate dashboards", which include non-financial indicators, such as customer satisfaction, quality and benchmarking.
Contact: Business Intelligence
Tel: 081-543 6565 Fax: 081-544 9020
LONDON

NOVEMBER 21-22
Business Process Re-engineering (BPR)
Continuing series of seminars for managers charged with designing and implementing BPR initiatives. Presented by leading US practitioner and BPR author. Proven 'how-to-do-it' implementation guide illustrated with case studies and workshops. Course book also available. Over 50 organisations in the private & public sectors have already attended.
Contact: Richard Parris, Vertical Systems Intercede Ltd
Tel: +44-455-250266 (24 hours)
Fax: +44-455-890821
LONDON AREA

NOVEMBER 24
Privatising Air Traffic Control
Conference examining the implications of privatising air traffic control. Experienced aviation professionals will explore service regulation and delivery as well as the financing and legal structures available. Speakers include: Viscount Goschen, Minister for Aviation, and representatives from NATS, Eurocontrol, the CAA & the aviation industry.
Contact: Oonagh Goodman, The Waterfront Conference Co.
Tel: +44 (0) 171 730 0410
Fax: +44 (0) 171 730 0460
LONDON

NOVEMBER 24/25
Differentiating Customer Proposition
CBI/Develin & Partners conference, chaired by John Humphrys, shows how to transform Key business processes to deliver cost efficiencies and market differentiation. (Optional workshop on second day).
Contact: Belinda Rogerson, CBI Conferences
Tel: 071 379 7400 Fax: 071 497 3646
Julia Robins, Develin & Partners
Tel 071 917 9988
LONDON

NOVEMBER 28-29
Global Emerging Markets Investment Management
Major international conference on global emerging debt and equity markets looking at CIS, Eastern Europe, Africa, the Mediterranean Rim; Asian and Indian Subcontinent, Latin America and the Carribean. Programme designed for international portfolio investors and asset allocators and emerging markets specialists.
Contact: Alison Elgar,
Dow Jones Telerate Ltd
Tel: 071 832 9532 Fax: 071 353 2791
LONDON

NOVEMBER 29-30
Managing Corporate Transformation:
The UK's premier event on planning, implementing and sustaining organisational and cultural change. This two-day conference includes frank discussion of why so many initiatives fail and explores proven methods for achieving critical buy-in and support for new organisation structures and working practices.
Contact: Business Intelligence
Tel: 081-543 6565 Fax: 081-544 9020
LONDON

NOVEMBER 29 & 30
Data Warehousing: Practical Experience and Lessons for the Future
Building the smart corporation, driving effective business process reengineering projects, unlocking the most valuable of corporate assets. Learn how many of the world's most competitive corporate players have used the data warehouse concept to achieve a strategic corporate advantage.
Contact: Unicom Seminars
Tel: 0895 256484 Fax: 0895 813095
LONDON

NOVEMBER 29-30
Integrating Client/Server and Legacy Systems
Advice on architectural alternatives, products/tools, middleware, and which standards are important for the future. Draws on a wealth of experience from real-life user sites where important lessons have been learned for achieving more-effective solutions in the future.
Contact Unicom Seminars, 0895 256 484,
fax 0895 813 095
LONDON

NOVEMBER 29-30
Accounting and Taxation for Derivatives
This conference considers the IASC international accounting draft standard, the internal accounting treatment and financial reporting of derivatives, topics include hedge accounting, derivatives valuation, risk management and trading accounting support. Speakers include the Hon. Christopher Sharples (SFA) and David Damant (CSAM)
For more information or to register, call Ambrose at AIC Conferences on
Tel: (071) 8275988 Fax: (071) 2422320.
LONDON

NOVEMBER 30
Partnership Sourcing The Strategic Option
Adopting a partnership sourcing approach enables businesses to achieve world class capability and competitiveness. Partnership Sourcing Limited, a joint CBI/DTI initiative to promote the concept of long-term relationships between companies and their suppliers, is holding a one-day conference in London. Speakers with experience in implementing the concept, such as ICL, SmithKline Beecham and The Post Office.
Contact: David Kekwick, Ark Conference
Tel: 071 731 8652 Fax: 071 731 3572.
LONDON

DECEMBER 1
City Regulation - A Legal Evolution
This conference will debate the development and future of financial regulation in the UK. The growing use of civil law procedures, regulatory intervention, and reduction in criminal sanctions - define a legal evolution at the interface of the criminal, civil and regulatory disciplines.
Sponsors: Butterworths Publishers
Contact: Caroline Sumner, Meetings Management
Tel: 01252 795414 Fax: 01252 792101
LONDON/MANCHESTER

DECEMBER 5
Dilemma of Choice - A Working Conference with Charles Handy
For senior managers concerned about how they manage personally the difficult balances between value and results involved in today's organisations. Also with Andrew Foster, Martin Mays-Smith, Greg Parston, Charles Pollard and Barbara Young.
Office for Public Management
Tel: 071 833 1973 Fax: 071 837 6581
QEII CENTER, LONDON

DECEMBER 6-7
Adding Value with Index Products
BARRA's London seminar focuses on key areas of indexation research, including new techniques for index tracking, index enhancement using derivatives, and asset allocation over multiple indices. Topics include dynamic index tracking under transaction costs and hedge fund strategies.
Contact: Christine Smith, BARRA International Limited
Tel: 071 283 2255 Fax: 071 220 7555
LONDON

DECEMBER 7-8
Succeeding with Teams:
practical strategies for designing, implementing and driving the team-based organisation. An international two-day conference specifically designed to help senior executives understand the fundamental issues involved in designing and implementing a team-based organisation.
Contact: Business Intelligence
Tel: 081-543 6565 Fax: 081-544 9020
LONDON

DECECEMBER 7
Transport growth and Air Quality
Conference examining trends & problems in air quality and the possible solutions. Speakers include: Steven Norris MP, and representatives from Royal commission on Environmental Pollution, CES Ltd, Shell UK, Westminster City Council, British Airways & Schiphol Airport.
Contact: Oonagh Goodman, The Waterfront Conference Co.
Tel: +44 (0) 171 730 0410
Fax: +44 (0) 171 730 0460
LONDON

DECEMBER 8 - 9
Opportunities and Competition for Building Societies
Park Lane Hotel
Strategies and actions for improving Building Society business performance and market share. Presentations on general insurance, mortgages, value management, customer loyalty, database segmentation, distribution channels and intermediaries. Speakers are drawn from senior management of the Halifax, Alliance and Leicester, the Woolwich, Bradford and Bingley, Nationwide, Chelsea, Portman and Leeds Permanent.
Contact: Simone Wills
Tel: 071 242 1548, AIC Conferences
LONDON

DECEMBER 12-14
Expert Systems '94
14th Annual Conference of the British Computer Society, Specialist Group on Expert Systems. Opening Keynote by Professor Peter Cochrane, Head of Core Technologies Research, BT. Technical Keynote by Professor Derek Sleeman, University of Aberdeen. Both technical and applications aspects covered in detail and supported by 4 independent tutorials.
Further information from Kit Stones,
The Conference Team
Tel/Fax: (0234 343384)
CAMBRIDGE

DECEMBER 14-15
Occupational Pensions
Be brought up to date on all the practical implications of UK government and EC regulations. Each presentation will deal with what pension funds actually need to do, when they need to do it and how much it will cost. For pensions fund manager, trustee or professional adviser it is an important opportunity to bring your knowledge up to date.
Contact: Simon Wills, Tel: 071 242 1548
AIC Conferences
LONDON

EXHIBITION

OCTOBER 7-9
Enterprise Business & Computing Show 1994
The UK's only national exhibition for small-medium business. Enterprise represents the forum for the fastest growing sector in the UK-SEMs. The exhibition is sponsored by Parcelforce and has over 150 companies represented from industries including, computing, finance, training, banking, franchising, commercial property, catering transportation and telecommunications.
Advance tickets: 081 982 6600
Contact: Julian Fisher, Enterprise Exhibitions Ltd, Tel: (0932) 859960/829920 Fax: (0932) 855741
LONDON

MARCH 1-3
Asian Companies EXPO
This entirely new concept for the financial markets brings together in one location an extensive and diverse array of leading Asian Companies, and provides institutional investors with a unique opportunity to evaluate potential growth and return first hand across all sectors on a one-on-one basis.
Contact: Euromoney EXPO's Limited
Tel: +44 (0) 1895 625194
Fax: +44 (0) 1895 624447
EARLS COURT, LONDON

INTERNATIONAL

OCTOBER 10/11
The Private Banking Challenge: Survival or Success
Designed for senior bankers responsible for private client business and chaired by Russell Taylor, author of Private Banking Renaissance, this international conference considers ways to meet client service requirements while maintaining profitability.
Enquiries: The Event Organisation Company
Tel: +44 71 228 8034 Fax: +44 71 924 1790
LUXEMBOURG

OCTOBER 18 - 19
Kaizen - from concept to practice
A Seminar and Workshop for component suppliers to the European consumer electronics industry hosted by the Electronic Industries Association of Japan and the European Association of Consumer Electronics Manufacturers.
Guest speaker: Mr. Masaaki Imai, author of 'KAIZEN, THE KEY TO JAPAN'S COMPETITIVE SUCCESS'
Cost: No Charge. Sponsored by the European Commission.
Contact: Sinéad Gillen, ICEL
Tel: +32 2 2387802/38/13
Fax: +32 2 2387716
BRUSSELS

OCTOBER 18 & 20
Dealing with Rights
Intellectual Property Rights must be properly dealt with if they are to confer hoped for benefits upon their rightful owners. An international panel of intellectual property managers and lawyers examine the problems owners face in handling rights and in portfolio management. Further details from International Professional Conferences Ltd.
Tel: 061 445 8623
FRANKFURT

OCTOBER 20-21
Windows in Finance Conference & Exhibition
Bill Gates, Chairman of Microsoft Corporation will give the keynote address at this major event designed to update you on the latest developments in Windows based solutions for retail and wholesale banking and capital markets.
Leading vendors will be demonstrating the most up to date products and services.
Contact: Sabine Lentzch GmbH -
Tel: +49 (0) 69 17 25 25
FRANKFURT

OCTOBER 25 & 26
EC Business Regulation
Everyone concerned with international business transactions must be aware of the EC Business Regulation and its increasing influence on the way we transact business. This conference will provide an insight and a summary of current regulations and practice, also future EU policy.
Further details from International Professional Conferences Ltd.
Tel: 061 445 8623
BRUSSELS

OCTOBER 26 & 27
FT India's Economic Renaissance
This high-level FT conference will provide a unique opportunity to review the government's liberalisation programme and assess future prospects for business and investment.
Enquiries: Financial Times
Tel: 081 673 9000 Fax: 081 673 1335
DELHI

OCTOBER 26
Advanced Software Applications in Banking, Finance and Insurance
Seminar for business and technical managers showing use of practical applications of logic programming software in finance, banking, insurance. Leading international and Italian financial institutions present state-of-the-art systems. Includes panel discussion and vendor displays. Contact: (Italy) Cristina Ruggieri. Tel: 051 521 285 (International) Al Roth. Tel: +44 253 358081
MILAN

NOVEMBER 8-9
European Union Aid for Development Conference
Business Opportunities in EC external aid projects to the value of 5 billion ECU annually outlined, including PHARE/JOPP, TACIS, MED, A/LA, and ACP. Networking with EU and new member state companies. Procurement opportunities for manufacturers/suppliers. 200 page EUROAID GUIDE on EU aid programmes included.
Contact: Société Générale de Développement S.A.
Tel: +322 512 4636 Fax: +322 512 4653
BRUSSELS

NOVEMBER 9-10
Dynamic Asia
The fast-growing markets of the Asian region prompted the International Chamber of Commerce (ICC) to choose New Delhi for its 1994 business opportunities conference. This high-level conference, to be opened by Prime Minister PV Narasimha Rao, includes sessions on foreign investment, Asia's new market economies, and doing business with India.
Contact: Conference Secretariat, ICC Paris
Tel: (33 1) 49 53 28 70/28 30
Fax: (33 1) 49 53 29 42/28 59
NEW DELHI

NOVEMBER 24 & 25 1994
Profit without Pain
How far can I copy or emulate my rivals products before I step across the line of legality? Why is apparent copying widespread and tolerated in some industries but not others? Leading Law Practices will give their opinions on these matters. Further details from International Professional Conferences Ltd.
Tel: 061 445 8623
AMSTERDAM

DECEMBER 5-6
COMPETITIVE INTELLIGENCE
Seminar for managers who want to learn how Competitive Intelligence supports both operational effectiveness and strategic positioning. Topics include aims and role of intelligence in firms, collection methods, analytical techniques, organisation, and counter-intelligence. Principal lecturers are former professional intelligence officers.
Contact: Business Research Group
Tel: 022 929 1900 Fax: 022 788 0824
GENEVA

MARCH 27-29 1995
"Sub-Saharan Oil & Minerals" Conference
Co-hosted by the SA Chamber of Mines; Gabonese Ministry of Mines & Energy; Nigerian National Petroleum Corporation; Sonangol; and Europe Energy Environment. Speakers include Cabinet Ministers from over 25 African countries. Please contact Europe Energy Environment, 3 Hayne Street, London EC1A 9HH,
tel 44-71-600-6660, fax 44-71-600 4044.
JOHANNESBURG

FINANCIAL TIMES

MARKETS

THIS WEEK

The Global Investor / Tony Jackson

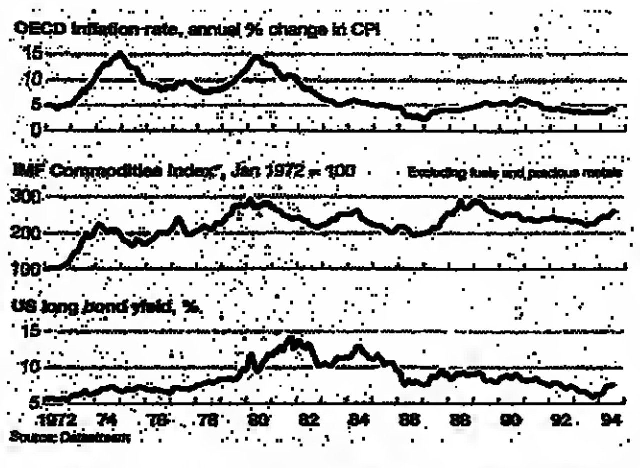
Commodities: the vexing exception

It has been a pretty lousy year for conventional investors. Bond markets have collapsed: equities, as measured by the FT-A World Index, are up just 5 per cent. Even gold has gone nowhere, having started the year at $391 an ounce and risen to just $396. The vexing exception has been commodities: not oil or precious metals, but boring old copper, rubber and soyabeans. The Economist commodity index is up some 40 per cent since January. The smart fund manager would not have spent his time shuffling paper assets. He would have rented a warehouse on the Rotterdam docks and filled it to the roof.

Commodities are mostly regarded these days less as an opportunity than a threat. They are a harbinger of inflation, and thus bad news for other types of asset. Given the historical evidence, this is not unreasonable. The bond markets are a distinctly fallible guide to future inflation; sometimes they overplay it, sometimes underplay it, sometimes get it wrong entirely. Commodities, on the other hand, are not so much a guide to inflation as a component of it.

How big a componeot ie another matter. As the accompanying charts remind us, there have been three surges in world inflation since the early 1970s: in 1973-4, 1979-80 and 1987-90. In each case commodities (measured by the IMF index, which gives a longer series) started moving several months in advance. But there were also two subsidiary blips in inflation, in 1976-77 and 1983-84. In each case the commodities index jumped sharply, even though the underlying trend in inflation was still downwards. The 40 per cent rise in the Ecooomist index thus poses an obvious question: is it forecasting a surge or a blip?

In one important sense, this rise is abnormal. It began not at the start of the year, but the previous spring. Despite thet, the rise in retail prices in the developed world is still subdned and uncertain. This implies an historically unusual reluctance by consumers to pay higher prices. Several reasons can be advanced for this: in particular, the revolution in working practices throughout the developed world, which has created an unprecedented sense of job insecurity at all levels of society.



Total return in local currency to 29/9/94

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.09	0.05	0.09	0.10	0.15	0.10
Month	0.41	0.21	0.41	0.46	0.69	0.42
Year	3.50	2.50	5.88	8.18	8.50	5.69
Bonds 3-5 year						
Week	-0.23	0.07	0.30	0.45	1.27	0.43
Month	-1.00	1.24	-0.71	-0.38	2.42	-0.42
Year	-2.47	1.60	1.84	0.06	2.21	0.16
Bonds 7-10 year						
Week	-0.34	-0.04	0.64	0.84	2.03	0.63
Month	-2.09	1.99	-1.42	-1.37	2.89	-1.20
Year	-7.26	0.50	-2.93	-6.12	-4.09	-3.48
Equities						
Week	0.0	0.1	-0.3	0.1	0.8	-0.7
Month	-2.7	-3.0	-5.1	-7.2	-3.1	-7.9
Year	-2.5	-0.7	7.7	-4.9	12.3	2.6

Source: Cash & Bonds - Lehman Brothers. Equities-© NatWest Securities.
*The FT-Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co., and NatWest Securities Limited.

Whatever the cause, this phenomenon implies in turn a sqneeze on manufacturers' profit margins. There is anecdotal support for this: the tyre manufacturer able to raise prices by only 5 per cent in the face of a soaring rubber price, the food company faced with a 50 per cent rise in the out price and unable to charge more for a packet of roasted peanuts, and – at the lunatic end of the scale – UK newspaper proprietors slashing their prices in response to a jump in the cost of newsprint.

This situation can only be finally resolved in one of two ways: either consumers agree to pay more, or manufacturers are forced to pay less. If the former, central bankers will be confirmed in their suspicions of reviving inflation and will jack up interest rates. So much the worse for commodities as a non-interest bearing investment. If the latter, so much the worse for commodities again.

The choice between these two options cannot easily be resolved. Indeed, it might be termed the dominant theme for investment in the mid 1990s.

The original upsurge of inflation in the developed world can be set down to various causes: the Vietnam war, the collapse of Bretton Woods, the first oil shock of 1973.

There is no clear explanation of why inflation should then have remained endemic for over 20 years.

Without knowing why the phenomenon was there in the first place, it is hard to be confident that it has gone away.

Let us suppose that the dragon of inflation is indeed loose again.

In that case, commodities might be expected to do well in the short run. But since they have done spectacularly well now for 18 months, it is worth recalling their record over the longer haul.

Since the beginnings of inflation in the early 1970s, retail prices worldwide have gone up fivefold and commodities threefold.

Equities have gone up by a factor of six: they have also, of course, provided an inflation-proof stream of income in the form of dividends.

The fact that commodities have done so dismally compared to equities is hardly surprising.

The whole thrust of advanced economies is away from basic materials and towards services and added value. First IBM overhauls US Steel, then Microsoft overhauls IBM. In the whole scheme of things, raw materials are becoming less and less important. This in itself should stand as a warning to investors.

Commodities may lag behind the world economy in their sum of value, bnt global savings do not. It follows that as a home for investment, commodities become progressively less and less liquid: and that any attempt by investors to switch into them in size is more and more likely to lead to speculative excess.

How far this is happening now is not easy to determine. Even manufacturers, who buy commodities for their primary purpose of consumption, can only talk anecdotally about a degree of speculative pressure. But an unusual shift of portfolio funds into commodities in the past year would go some way to explaining the apparent paradox whareby commodity producers have beeo able to push through price increases which their customers know they cannot pass on.

With or without the return of inflation, this suggests that rather a risky bubble may have developed in the commodities markets.

Only last week Goldman Sachs, the all-powerful US investment bank, sent a bullish circular to its clients entitled "The Case for Commodities". You have beeo warned.

Economics Notebook

The Chinese superlative

Think of China and you are thinking in snperlatives. It is the world's most populous country, with 1.2bn people. Its economy grew at an average annual rate of 9 per cent in tha 15 years to 1993. In the past two years alone, it grew by a quarter because of double digit growth in 1992 and 1993.

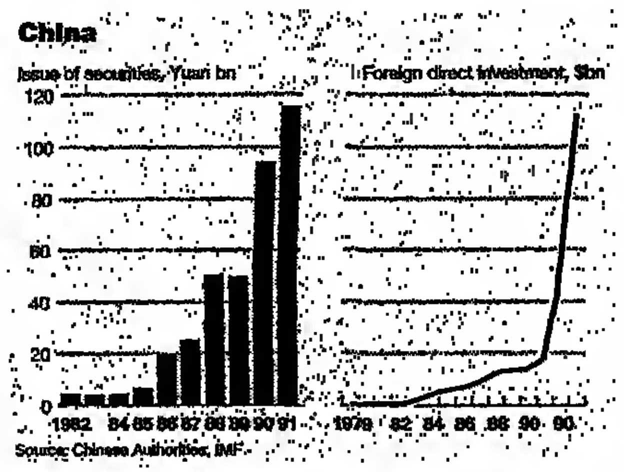
As the chart shows, China attracted well over $20bn in foreign direct investment last year and, according to the International Monetary Fund, is the largest single recipient of foreign direct investment in the developing world. It was also the biggest single borrower from the World Bank in its past financial year.

But when it comes to managing change tbrough economic and financial policy, the Chinese authorities shy away from the big bang approach. A study of the growth of capital markets in China*, produced by an IMF staff team under Morris Goldstein, deputy director of the Fund's research department, has found that the Chinese moved ahead a step at a time. They introduced capital markets on an experimental basis, hoping to learn from experieoce, and made sure that change came gradnally and incrementally.

While the development of Chinese capital markets is still in its early stages, the study predicts that their growth "will rank as one of the important financial events of the 1990s."

The Fund suggests that China's experience could have some lessons for other countries making the difficult transformation from communist state planning to a market economy.

More important, the IMF believes China is gaining many advantages from capital market development. More is involved than simply raising finance. China'e emerging capital markets are "best viewed as part of the cutting edge of the reform process," the Fund says.



Securities markets can provide China with a means to absorb international financial techniques and practices. The listing of a company's stock on an exchange helps good corporate governance by creating a system of discipline for companies that is independent of bureaucrats. The development of securities markets can speed deregulation by increasing pressure for decontrol in other areas of finance. For example, once savers get used to market-determined yields through equity investment, there will be pressure to boost the rates of return on other assets.

The spread of equity in China has been rapid.

Although the first recognised stock exchange only opened in Shanghai in December 1990, the IMF reports thet the value of equities listed on the Shanghai and Shenzen stock exchanges had reached $40bn at the end of last year – equivalent in valne to the Argentine or Turkish markets. In October last year, a Chinese company was listed on the New York Stock Exchange for the first time. More than 4,000 companies are said to have issued unlisted shares that are traded informally in kerb markets in Chinese cities.

The IMF attitude seems to be that 'it may look funny but it works'

Equities are only a small part of the China's capital market renaissance, however. The chart shows how new issues of all securities, including bonds, certificates of deposit and shares, have mushroomed in recent years.

Issues and issuere have become more varied. Financial futures have been introduced over the past two years. In 1991, the most recent year for which figures are available, issues of bonds by financial institutions and enterprises soared.

But the IMF reports that the anthorities have followed rather than led this feverish activity. Official approval for the issne of securities by enterprises was only given after many had issued securities on their own initiative. Similarly, securities were traded on the Shanghai and Shenzen stock exchanges long before they were officially opened in 1990 and 1991.

It might be thought that the Fund would react with some horror to this state of affairs. But instead, the attitude of the report seems be that "it may look funny but it works".

The IMF clearly sympathises with recent temporary retrenchments in the process of liberalisation after activity in China's financial markets ran ahead of the authorities' intentions.

It even gives qualified approval to the practice of the Chinese authorities of picking which companies will issue shares on regulated exchanges. This looks a funny way to create a market-based economy, but the Fund is willing to tolerate the system so long as the authorities are not motivated by non-economic issues such as the desire to spread listings geographically.

Indeed, the Fund's detailed analysis of China's emerging capital markets may tell us as much aboot the IMF as about China. It shows thet the IMF's pin-striped economists can be pragmatists after all.

Peter Norman

In International Capital Markets: Developments, Prospects and Policy Issues, September 1994, $20 from IMF Publication Services, 700 19th Street, NW, Washington, DC 20431, US.

COMMODITIES — Richard Mooney

Rubber pact flexibility needed

Rubber producers will be looking for concessions from consumers as the latest round of talks on a new International Natural Rnbber Agreement get under way in Geneva today.

Representatives of Thailand, Indonesia and Malaysia, which produce more than 80 per cent of the world's rubber, told the Reuters news agency last week that consumers would need to make compromises to ensure a new pact was successfully concluded in the interests of both sides.

The world's three top producers said that they were cautiously optimistic thet the two-week meeting, under the aegis of the UN Conference on Trade and Development, would be successful.

European rubber consuming countries said meanwhile that they supported plans for a new pact bnt warned that they had limited room for compromise. "Everybody wants to finish," a consumer delegate told Reuters, ". . . the issues are very simple. But we won't make any concessions that bear in them the chance that this pact might fail later."

Inra aims to stabilise rubber prices through the operation of a buffer stock buying and selling system.

Following a recent surge to 6½-year highs on increased Chinese demand, cuts in Thai and Malaysian supplies and speculative buying, producers are calling for the reference price, which controls the levels at which the buffer stock manager can bny or sell, to be raised by 5 to 12 per cent from the 196.84 Malaysian/Singapore cents a kilogram level it was fixed at in February 1993.

But consumers say the rise, if any, should be no more than 4 per cent. "[Support] Prices have to move with the long-term trend," one said.

A commodity trade expert commented: "Delegates are always inflnenced by tbe recent prices, but they should really be looking to the period 1996 onwards for five or seven years . . . That is the relevant period they are trying to stabilise and they will have to justify their results at bome."

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY SEPTEMBER 30 1994 US Dollar Index	%chg since 31/12/93	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/93	Gross Div. Yield	THURSDAY SEPTEMBER 29 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	170.53	2.2	160.32	106.69	137.58	153.28	-6.3	3.62	171.16	160.51	106.58	137.58	153.76	189.15	142.60	142.60
Austria (16)	184.32	-0.4	173.28	115.31	148.67	148.60	-10.8	1.08	184.83	173.33	115.09	148.57	148.54	198.89	167.46	169.48
Belgium (37)	164.66	1.2	154.80	103.01	132.81	129.62	-10.6	4.25	165.22	154.94	102.88	132.81	129.51	177.04	146.42	146.42
Canada (103)	138.31	1.9	130.03	86.56	111.58	134.36	3.2	2.50	138.52	129.90	86.25	111.84	134.69	145.31	120.54	121.72
Denmark (33)	250.62	1.4	235.61	156.79	202.15	207.45	-9.2	1.43	250.42	234.83	155.93	201.29	206.69	275.79	229.78	230.21
Finland (24)	179.31	45.5	168.57	112.18	144.63	183.00	22.2	0.77	178.37	167.26	111.07	143.37	182.39	181.70	110.04	110.73
France (97)	165.41	-6.0	155.51	103.48	133.42	137.37	-15.7	3.22	165.51	155.20	103.05	133.03	136.98	185.37	159.34	167.88
Germany (58)	137.96	-1.8	129.70	86.31	111.28	111.28	-12.1	1.85	140.26	131.53	87.33	112.74	112.74	150.40	127.03	127.03
Hong Kong (56)	392.19	-19.9	368.70	245.35	316.34	389.07	-19.9	3.12	398.17	374.32	248.55	320.86	398.01	506.56	305.03	305.07
Ireland (14)	204.84	10.6	192.58	128.15	165.23	185.25	0.0	3.45	206.63	193.77	128.66	166.09	186.28	216.60	167.75	167.75
Italy (59)	83.88	22.3	78.85	52.47	67.66	97.72	11.4	1.58	85.60	80.27	53.30	68.81	99.35	97.78	57.88	73.57
Japan (469)	159.58	22.6	150.03	99.84	128.72	99.84	8.8	0.77	160.28	150.31	99.80	128.84	99.80	170.10	124.54	152.34
Malaysia (97)	559.57	-5.4	526.06	350.07	451.36	552.61	-10.0	1.52	562.07	527.06	349.98	451.80	555.34	621.63	417.18	417.18
Mexico (18)	2262.50	-5.2	2126.98	1415.42	1824.94	8411.81	3.7	1.22	2302.19	2158.80	1433.46	1850.46	8561.77	2647.08	1661.23	1661.23
Netherland (27)	209.61	5.2	196.96	131.07	169.00	166.17	-6.8	3.47	210.73	197.61	131.22	169.38	166.61	218.19	184.50	184.50
New Zealand (14)	72.21	6.3	67.89	45.18	58.25	68.68	-1.2	3.75	72.77	68.24	45.31	58.49	64.03	77.59	59.22	59.50
Norway (23)	195.60	8.8	183.79	122.30	157.69	180.12	-1.8	1.84	196.84	184.58	122.56	158.22	180.82	211.74	165.52	169.55
Singapore (44)	377.97	2.6	355.34	236.46	304.88	258.22	-5.2	1.63	380.97	357.25	237.22	306.23	260.80	380.97	294.66	298.13
South Africa (59)	311.63	16.6	292.96	194.96	251.38	280.84	16.1	2.21	312.87	293.39	194.81	251.48	288.58	314.24	202.72	207.91
Spain (42)	138.81	-0.4	130.50	86.84	111.97	135.21	-10.4	4.25	140.07	131.35	87.22	112.59	135.93	155.79	128.88	136.87
Sweden (36)	221.78	12.9	208.50	138.75	178.89	245.59	1.4	1.68	222.28	208.45	138.41	178.68	246.16	231.35	175.83	189.96
Switzerland (47)	161.66	0.9	151.97	101.13	130.39	129.06	-12.5	1.88	163.83	153.63	102.01	131.68	130.28	176.56	139.55	139.55
United Kingdom (204)	194.11	-6.3	182.49	121.44	156.58	182.48	-11.2	4.17	192.79	186.79	120.05	154.97	180.79	214.96	161.11	184.90
USA (516)	168.93	-0.5	177.61	118.19	152.39	168.93	-0.5	2.88	188.77	177.01	117.54	151.73	188.77	198.04	178.95	187.70
EUROPE (717)	168.22	-0.1	158.14	105.24	135.69	148.81	-9.9	3.13	168.76	158.25	105.08	135.65	148.64	178.58	154.79	158.15
Nordic (116)	216.68	14.3	203.70	135.56	174.78	204.92	1.5	1.45	216.80	203.30	135.00	174.27	204.94	222.18	173.19	179.67
Pacific Basin (748)	169.30	16.7	159.17	105.92	136.56	110.78	4.7	1.09	170.19	159.60	105.97	136.80	110.93	176.86	164.78	157.37
Euro-Pacific (1465)	168.72	6.3	158.82	105.55	136.09	126.08	-1.9	1.96	169.46	158.91	105.52	136.21	126.19	175.14	143.88	158.76
North America (618)	185.78	-0.3	174.65	116.22	149.85	185.15	-0.3	2.88	185.64	174.08	115.59	149.22	185.02	192.73	175.67	183.62
Europe Ex. UK (513)	150.84	2.1	141.82	94.24	121.61	128.62	-8.9	2.52	152.01	142.55	94.65	122.19	129.57	158.12	135.94	137.84
Pacific Ex. Japan (279)	263.36	-8.2	247.59	164.76	212.43	234.40	-12.2	2.77	265.91	249.36	165.57	213.74	236.88	298.21	208.62	206.62
World Ex. US (1645)	170.71	8.5	160.48	106.80	137.69	129.92	-1.4	1.96	171.47	160.80	106.77	137.83	130.04	178.65	145.58	157.06
World Ex. UK (1957)	173.94	6.2	163.52	108.82	140.30	144.64	0.0	2.06	174.56	163.69	108.69	140.31	144.83	178.59	155.96	164.47
World Ex. So. Af. (2102)	174.86	5.0	164.39	109.39	141.04	147.08	-1.3	2.28	175.31	164.40	109.18	140.92	147.12	180.03	159.54	168.10
World Ex. Japan (1692)	186.35	-0.7	175.19	116.56	150.31	176.45	-4.6	2.92	186.69	175.07	116.25	150.06	176.55	185.20	175.80	175.80
The World Index (2161)	175.73	5.2	165.20	109.94	141.74	148.12	-1.1	2.28	175.18	165.21	109.70	141.62	148.16	180.80	156.85	166.28

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Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).
Constituent changes with effect 3/10/94: Deletions: Mitsubishi Petrochemical (Japan), Neutrogena Corp. and Syntex (both USA).

EMERGING MARKETS: This Week

The Emerging Investor / Canute James

Fillip for Caribbean cross-border trade

Cross-border trading in the Caribbean, whicb has been sluggisb since it started in 1991, should get some encouragement from the decision of CIBC (Canada), the commercial banking group, to offer for sale 45m shares in CIBC West Indies Holdings, its Caribbean subsidiary.

The offer, which opened on Monday September 19, will close on Thursday October 6, and is valued at $24.5m.

The hopes for increased cross-border trading have been raised by the decision of CIBC to make the share offer simultaneously in six Caribbean countries – Antigua, Barbados, Jamaica, St Lucia, St Vincent and Trinidad and Tobago. The shares will be listed on the three Caribbean Community (Caricom) stock exchanges in Barbados, Jamaica and Trinidad. It is these three which are at the core of the nascent regional stock market.

"This is a move in the right direction," says Mr Wain Iton, manager of the Jamaica Stock Exchange. "It is the first genuinely regional public offer. We may not get the robust cross-border trading thet we all wish for, but it sets the stage for other companies in the region to recognise thet an entire capital market in the region is available."

This assessment is shared by Mr Hugh Edwards, manager of the Trinidad and Tobago Stock Exchange. "With CIBC coming to the market with an offer spread out over six Caribbean countries," he says, "this sbould add some impetus to the countries without stock exchanges to begin buying and selling shares."

Cross-border trading is part of a wider effort by the members of the Caribbean Community to integrate their economies and prepare the ground for a planned common market and monetary union. "This offer by CIBC will certainly open the opportunities for other companies to try similar placements simultaneously in several Caribbean states," says Mr Basil Buck, president of Bnck Securities, Jamaican stockbrokers. "There are many companies whicb are well placed to do this, with subsidiaries and branches in several Caribbean states.

"The CIBC offer will also stimulate the efforts at cross-border trading which has been in the doldrums for many months," adds Mr Buck.

Caribbean brokers have argued repeatedly that there is potential for vibrant cross-border trading and the development of the regional stock exchange; the three markets list an aggregate of 110 companies with a combined capitalisation of $2.41bn.

They have also suggested that closer ties be established with the exchange in the Dominican Republic. Guyana is planning to establish a stock market, as is the Organisation of Eastern Caribbean States, a grouping of seven islands with a common currency.

The offer by CIBC (Canada) represents about a quarter of the shares of its Caribbean subsidiary, which is incorporated in Barbados and which is the holding company for the bank's operations in Barbados and other islands in the eastern Caribbean.

It also has a marginal majority stake in CIBC Jamaica and a 4 per cent holding in Republic Bank, the largest in Trinidad and Tobago. CIBC's Bahamian business is soon to be managed by CIBC West Indies Holdings.

"The Caribbean is a very thin market with a lot of cash and very little to invest in," says Mr Shastrie Ablack, managing director of CIBC West Indies Holdings. A minimum sale volume of 30m shares will make tbe offer a successful one, he adds.

Hopes for s more sctive cross-border market have been depressed by periods of economic difficulty and uncertainty in some Caribbean economies. A very volatile foreign exchange market in Jamaica, and high inflation which has affected the financial services market (there is currently no activity in the bond market), accompanied by currency instability, have compounded changes in exchange rates in Trinidad and Tobago and rumours of an impending devaluation in Barbados.

The majority of individual investors in Caribbean stocks, and some small institutional ones as well, tend to use their shares as longer term investments rather than looking for opportunities for buying and selling, consequently reducing the vibrancy of the regional markets, according to brokers.

"The success of this offer will determine the degree of vitality it will add to cross-border trading, and there is at least one other company which is watching this and which is likely to make an offer spread over a similar area," says Mr Edwards.

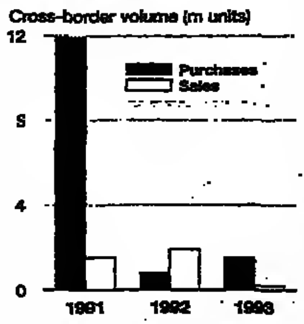
Regional investors in the CIBC West Indies Holdings offer will be able to indulge in arbitrage on the secondary market by, for example, buying low in Trinidad and selling high in Jamaica. Prices on the three markets may not alwsys be in balance.

The effort at cross-border trading is still bedevilled, however, by problems in the manner and speed of settlements. Since none of the currencies used by the three exchanges is convertible, settlements are being done through what Mr Iton describes as "a cost inefficient method."

"We are settling in US dollars through a third party in New York," he explained. "There is, however, the prospect of us using the network of one of the regional banks."

Caribbean trade

Cross-border volume (m units)



Source: Jamaica Stock Exchange

Ten best performing stocks

Stock	Country	Friday 30/9/94	Week on week change $	%
Yapi Ve Kredi Bankasi	Turkey	0.0920	0.0256	38.46
Eregli Demir Ve Celik	Turkey	0.0877	0.0196	28.72
Cukurova Elektrik	Turkey	0.2659	0.0409	18.18
Shinhan Bank	S.Korea	22.9122	2.8549	14.23
Turkiye Is Bankasi	Turkey	0.2542	0.0263	11.54
Pakistan State Oil Company	Pakistan	13.0310	1.3390	11.45
International Commercial Bank	Taiwan	3.9579	0.3678	10.24
President Enterprises	Taiwan	1.8547	0.1704	10.11
Phatra Thanakit	Thailand	9.8498	0.8807	9.82
Ssangyong Oil Refining	S.Korea	31.0505	2.7709	9.80

Source: Baring Securities

News round-up

■ Thailand

The Stock Exchange of Thailand has awarded new brokerage seats to four companies which were previously sub-brokers: the upgrading of Jardine Fleming Thanakom, Nithiphat, Ekachart and Prime brings the total number of full brokers to 44, *writes Victor Mallet in Bangkok.*

Each new broking company is obliged to pay Bt300m ($12m) for the seat, a price regarded as high by international standards. The government says that it wants to liberalise stockbroking in Thailand and the SET expects to admit a further six members in 1995.

■ LatInvest

LatInvest, the specialist Latin American securities house set up two years ago, is expanding into the US by acquiring the New York subsidiary of its majority Mexican shareholder, Invermexico, *writes Stephen Fidler.*

Banco Bozano Simonsen, its Brazilian shareholder, has injected $1m of capital to keep its stake at 12 per cent, while management's stake was diluted from 28 per cent to 21.5 per cent by the transaction.

LatInvest, its capital now standing at $25m with retained earnings, is also negotiating with a prospective Argentine shareholder

■ Hungary

The Budapest Stock Exchange is to increase its disclosure requirements from next year, *writes Virginia Marsh.* From January, quoted companies will have to present consolidated accounts to the BSE. Listed companies will have to report within 45 days of the end of the quarter, while traded companies will have to report half-yearly rather than quarterly as at present.

Companies will have to report comparative figures for the previous year and provide an analysis of their forecasts and results, including sales and profit. The move is designed to bring the BSE closer to European norms.

■ Brazil

Mr Ciro Gomes, Brazil's Economy Minister, said that the government had the means to slow the flow of foreign capital to local markets, but preferred not to comment whether any action of the sort was being considered.

Investors in Brazilian markets are concerned over the possibility that the government may raise a flat tax on investments directed to the stock market and fixed-income instruments.

■ Philippines

The Philippine Stock Exchange is to block backdoor entries by companies trying to avoid stringent listing requirements, said Mr Eduardo Delos Angeles, the PSE chairman.

He added that South-east Asian stock exchanges are finalising plans to exchange information as part of a battle to stamp out insider trading. Exchange officials plan to meet in South Korea in November to work out a mechanism for exchanging information following a rise in intra-regional investment.

■ Morocco

Morocco is soon to sell off its stakes in five entreprises with a total turnover of 3.85bn dirhams ($438.4m), the Privatisation Ministry said.

The state has between 35 and 99 per cent of the five groups – Banque Marocaine du Commerce Exterieur (BMCE), the Simef diesel and electric motor maker, the Sonasid steel mill, the Somas oil company and Socbepresse publication distributor.

Since January, 12 state-owned enterprises bave been sold off, officials said.

● Emerging markets coverage appears daily on the World Stock Markets page

Baring Securities emerging markets indices

Index	30/9/94	Week on week movement Actual	Percent	Month on month movement Actual	Percent	Year to date movement Actual	Percent
World (301)	188.63	-1.88	-0.99	+2.96	+1.59	+20.22	+12.01
Latin America							
Argentina (20)	112.04	-1.86	-1.63	-2.80	-2.44	-3.34	-2.90
Brazil (21)	255.65	+4.32	+1.72	+15.22	+6.33	+116.00	+83.07
Chile (12)	206.09	+3.19	+1.57	+6.39	+3.20	+58.55	+39.68
Mexico (25)	153.76	-5.83	-3.66	-2.94	-1.87	-7.51	-4.66
Peru(16)	908.03	+11.14	+1.24	+179.00	+24.55	+331.94	+57.62
Latin America (94)	181.24	-1.50	-0.82	+3.56	+2.00	+31.99	+21.44
Europe							
Greece (16)	84.23	+1.08	+1.29	+1.16	+1.40	+1.14	+1.37
Portugal (18)	117.66	-0.79	-0.66	-4.59	-3.76	+5.53	+4.93
Turkey (21)	87.00	+5.34	+6.54	-0.39	-0.44	-74.71	-46.20
Europe (55)	99.62	+1.08	+1.09	-1.75	-1.72	-12.61	-11.24
Asia							
Indonesia (26)	150.78	-5.81	-3.71	-5.55	-3.55	-20.26	-11.85
Korea (23)	164.55	+0.70	+0.43	+28.15	+20.84	+54.84	+49.99
Malaysia (23)	237.12	-9.19	-3.73	-4.15	-1.72	-15.93	-6.29
Pakistan (11)	119.14	+1.66	+1.41	+9.09	+8.26	+7.45	+6.67
Philippines (12)	275.80	-16.01	-5.49	-28.25	-9.29	-46.67	-14.47
Thailand (25)	263.60	-2.64	-0.99	-1.90	-0.72	+0.05	+0.02
Taiwan (32)	186.59	+6.77	+3.78	+10.62	+6.03	+32.88	+21.39
Asia (152)	227.32	-3.43	-1.49	+3.08	+1.38	+5.91	+2.67

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

CURRENCIES — Philip Coggan

Payroll figures hold the key to rates

The start of this week's trading on the foreign exchange markets is likely to be dominated by reaction to Saturday's partial deal on US-Japan trade talks. But by the end of the week, attention will turn to Friday's US non-farm payroll figures, which some feel may push the Federal Reserve into increasing interest rates.

Although the dollar responded well on Friday to rumours of a trade deal, analysts do not expect the US currency to gain much in the long term from a partial agreement. Economic fundamentals will have a greater impact on the Japan trade surplus, which many believe is the reason for the continued strength of the yen.

The non-farm payroll numbers are expected to be strong, with a Reuters poll of economists showing an increase of 250,000 in September, accompanied by a drop in the unemployment rate to 6 per cent.

The latter figure is seen by some academic economists as equivalent to "full employment" and accordingly analysts believe the numbers may underpin a tightening of policy by the Fed, which decided not to raise rates last week.

If the Fed does not raise rates after Friday's numbers, attention will switch to next week's producer and consumer prices data.

Even if the Fed does raise rates, however, it is far from clear that this will be beneficial for the dollar. Exchange rate movements this year seem to have been governed by trends in the bond market, rather than short rates.

To date, the Fed's tightening moves have shown little sign of convincing bond investors that the inflation threat has been eradicated.

The dollar may have some scope to strengthen against the D-Mark in the run-up to the October 16 German general election. Traders will cantrate on the prospects for Chancellor Kohl's coalition partner, tha FDP, which is struggling to get the 5 per cent it needs to return to Parliament.

Sterling was on the sidelines for much of last week and this week's economic data is unlikely to have much of an impact on the pound, analysts say.

However, Mr Avinash Persaud, head of currency research at JP Morgan (Europe) thinks the pound is due for a period of strength.

"By raising base rates by half a point on September 12, well ahead of a deterioration of either the trade account or inflation, the UK authorities have broken with the pattern of the past and severed tha comparison with US monetary policy," he says.

Mr Persaud expects the pound to break through the $1.60 level by the end of the year.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, September 30, 1994 . In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	4111.14	2606.94	1680.21	2634.18
Albania	(Lek)	157.960	100.166	64.5537	101.205
Algeria	(Dinar)	64.6060	40.9676	26.4042	41.3965
Andorra	(Fr Fr)	8.3491	5.2942	3.4122	5.3495
	(Sp Peseta)	202.763	128.575	82.8686	129.918
Angola	(New Kwanza)	221547.5	140487	90546.8	141954
Antigua	(E Carr $)	4.2647	2.7043	1.7429	2.7325
Argentina	(Peso)	1.5771	1	0.6445	1.0105
Aruba	(Florin)	2.8273	1.7928	1.1555	1.8115
Australia	(Aus $)	2.1311	1.3513	0.8709	1.3654
Austria	(Schilling)	17.2185	10.9185	7.0371	11.0325
Azores	(Port Escudo)	249.482	158.2	101.963	159.853
Bahamas	(Bahama $)	1.5770	1	0.6445	1.0104
Bahrain	(Dinar)	0.5946	0.377	0.243	0.3809
Balearic Is	(Sp Peseta)	202.763	128.575	82.8686	129.918
Bangladesh	(Taka)	62.2918	39.5	25.4563	39.9128
Barbados	(Barb $)	3.1789	2.0744	1.2963	2.0954
Belgium	(Belg Fr)	50.3379	31.92	20.5729	32.2534
Belize	(B $)	3.1590	2.0031	1.291	2.024
Benin	(CFA Fr)	834.918	529.429	341.225	534.959
Bermuda	(Bermudan $)	1.5770	1	0.6445	1.0104
Bhutan	(Ngultrum)	49.4587	31.3625	20.2136	31.69
Bolivia	(Boliviano)	7.3648	4.67	3.0098	4.7187
Botswana	(Pula)	4.2745	2.7105	1.7469	2.7386
Brazil	(Real)	1.3468	0.854	0.5504	0.8629
Brunei	(Brunei $)	2.3379	1.4824	0.9554	1.4979
Bulgaria	(Lev)	96.6670	61.298	39.5075	61.9352
Burkina Faso	(CFA Fr)	834.910	529.429	341.225	534.959
Burma	(Kyat)	9.1663	6.8124	3.7462	5.8731
Burundi	(Burundi Fr)	381.300	241.788	155.836	244.313
Cambodia	(Riel)	4083.01	2589.1	1668.71	2616.14
Cameroon	(CFA Fr)	834.910	529.429	341.225	534.958
Canada	(Canadian $)	2.1153	1.3413	0.8645	1.3553
Canary Is	(Sp Peseta)	202.763	128.575	82.8686	129.918
Cp. Verde	(CV Escudo)	131.051	83.1014	53.5601	83.9693
Cayman Is	(CI $)	1.3089	0.8308	0.5353	0.8393
Cent.Afr. Rep	(CFA Fr)	834.910	529.429	341.225	534.959
Chad	(CFA Fr)	834.910	529.429	341.225	534.959
Chile	(Chilean Peso)	650.118	412.25	265.701	416.555
China	(Yuan)	13.4618	8.5299	5.4977	8.619
Colombia	(Col Peso)	1330.18	843.475	543.632	852.284
CIS ‡	(Rouble)	1.0283o	0.6507	0.4124	0.6575
		4217.85m	2674.48	1723.74	2702.41
Comoros	(Fr)	625.660	396.741	255.705	400.884
Congo (Brazz)	(CFA Fr)	834.918	529.429	341.225	534.959
Costa Rica	(Colon)	252.009	159.803	102.995	161.472
Côte d'Ivoire	(CFA Fr)	834.910	529.429	341.225	534.959
Croatia	(Kuna)	9.0259	5.7234	3.6888	5.7832
Cuba	(Cuban Peso)	1.1963	0.7585	0.4889	0.7665
Cyprus	(Cyprus £)	0.7465	0.4733	0.305	0.4783
Czech Rep.	(Koruna)	44.1330	27.9854	18.037	28.2776
Denmark	(Danish Krone)	9.5978	6.0861	3.9225	6.1496
Djibouti Rep	(Djib Fr)	280.709	178.002	114.725	179.861
Dominica	(E Carib $)	4.2647	2.7043	1.7429	2.7325
Dominican Rep	(D Peso)	21.6549	13.7317	8.8502	13.8751
Ecuador	(Sucre)	3572.04o	2265.09	1459.88	2288.74
		3378.39a	2140.39	1379.51	2162.74
Egypt	(Egyptian £)	5.3525	3.3941	2.1875	3.4295
El Salvador	(Colon)	13.8364	8.7738	5.6548	5.5958
Equat'l Guinea	(CFA Fr)	834.910	529.429	341.225	534.959
Estonia	(Kroon)	19.5488	12.3967	7.9895	12.5258
Ethiopia	(Ethiopian Birr)	8.5298	5.4085	3.4858	5.465
Falkland Is	(Falk £)	1.00	0.6341	0.4086	0.6407
Faroe Is	(Danish Kroner)	9.5978	6.0861	3.9225	6.1490
Fiji Is	(Fiji $)	2.2761	1.4433	0.9302	1.4583
Finland	(Markka)	7.6686	4.8629	3.1342	4.0736
France	(Fr)	8.3491	5.2942	3.4122	5.3495
Fr. Cty/Africa	(CFA Fr)	834.910	529.429	341.225	534.959
Fr. Guiana	(Local Fr)	8.3491	5.2942	3.4122	5.3495
Fr. Pacific Is	(CFP Fr)	151.675	96.1794	61.9881	97.1839
Gabon	(CFA Fr)	834.910	529.429	341.225	534.958
Gambia	(Dalasi)	15.3212	9.7154	6.2617	9.8168
Germany	(D-Mark)	2.4468	1.5518	1	1.5677
Ghana	(Cedi)	1591.35	1009.1	650.38	1019.64
Gibraltar	(Gib £)	1.00	0.6341	0.4086	0.6407
Greece	(Drachma)	373.118	236.6	152.492	239.071
Greenland	(Danish Krone)	9.5978	6.0861	3.9225	6.1496
Grenada	(E Carr $)	4.2647	2.7043	1.7429	2.7325
Guadeloupe	(Local Fr)	8.3491	5.2942	3.4122	5.3495
Guam	(US $)	1.5770	1	0.6445	1.0104
Guatemala	(Quetzal)	9.0968	5.7684	3.7178	5.8286
Guinea	(Fr)	1544.34	979.29	631.167	989.518
Guinea-Bissau	(Peso)	19700.3	12492.3	8051.45	12622.7
Guyana	(Guyanese $)	224.289	142.225	91.6662	143.711
Haiti	(Gourde)	30.0105	19.0301	12.2652	19.2286
Honduras	(Lempira)	14.0578	8.9141	5.7452	9.0072
Hong Kong	(HK $)	12.1856	7.7272	4.9803	7.8079
Hungary	(Forint)	171.893	109	70.2521	110.138
Iceland	(Icelandic Krona)	107.011	67.8573	43.735	68.566
India	(Indian Rupee)	49.4587	31.3625	20.2136	31.69
Indonesia	(Rupiah)	3431.83	2176.05	1402.5	2198.78
Iran	(Rial)	2761.50	1751.11	1128.62	1769.4
Iraq	(Iraqi Dinar)	0.4911	0.3114	0.2007	0.3146
Irish Rep	(Punt)	1.0122	0.6418	0.4136	0.6485
Israel	(Shekel)	4.7524	3.0185	1.9422	3.045
Italy	(Lira)	2460.12	1560	1005.44	1576.29
Jamaica	(Jamaican $)	52.8133	33.5531	21.6255	33.9035
Japan	(Yen)	158.076	98.9701	63.7878	100.004
Jordan	(Jordanian Dinar)	1.1008	0.698	0.4498	0.7053
Kenya	(Kenya Shilling)	76.0529	48.2263	31.0825	48.7299
Kiribati	(Australian $)	2.1311	1.3513	0.8709	1.3654
Korea North	(Won)	3.3959	2.1533	1.3878	2.1758
Korea South	(Won)	1259.55	798.7	514.774	807.042
Kuwait	(Kuwaiti Dinar)	0.4690	0.2974	0.1918	0.3005
Laos	(New Kip)	1137.24	721.141	464.787	728.673
Latvia	(Lats)	0.8693	0.5449	0.3511	0.5505
Lebanon	(Lebanese £)	2627.28	1666	1073.78	1683.4
Lesotho	(Maluti)	5.6244	3.5665	2.2986	3.6037
Liberia	(Liberian $)	1.5770	1	0.6445	1.0104
Libya	(Libyan Dinar)	0.4818	0.305	0.1965	0.3081
Liechtenstein	(Swiss Fr)	2.0309	1.2878	0.83	1.3012
Lithuania	(Litas)	6.3180	4.0063	2.5821	4.0481
Luxembourg	(Lux Fr)	50.3379	31.92	20.5729	32.2534
Macao	(Pataca)	12.6084	7.9951	5.153	8.0785
Madagascar	(MG Fr)	5551.96	3520.58	2269.07	3557.35
Madeira	(Port Escudo)	249.482	158.2	101.963	159.853
Malawi	(Kwacha)	18.0804	11.465	7.3894	11.5848
Malaysia	(Ringgit)	4.0438	2.5642	1.6526	2.591
Maldive Is	(Rufiya)	18.6697	11.8387	7.6302	11.9623
Mali Rep	(CFA Fr)	834.918	529.429	341.225	534.959
Malta	(Maltese Lira)	0.5776	0.3662	0.236	0.37
Martinique	(Local Fr)	8.3491	5.2942	3.4122	5.3495
Mauritania	(Ouguiya)	195.147	123.746	79.756	125.036
Mauritius	(Maur Rupee)	27.9414	17.718	11.4195	17.9031
Mexico	(Mexican Peso)	5.3626	3.4005	2.1916	3.436
Miquelon	(Local Fr)	8.3491	5.2942	3.4122	5.3495
Monaco	(French Fr)	8.3491	5.2942	3.4122	5.3495
Mongolia	(Tugrik)	631.600	400.634	258.218	404.816
Montserrat	(E Carr $)	4.2647	2.7043	1.7429	2.7325
Morocco	(Dirham)	14.0016	8.8786	5.7223	8.9712
Mozambique	(Metical)	9932.78	6298.52	4059.49	6364.3
Namibia	(S A Rand)	5.6244	3.5665	2.2986	3.6037
Nauru Is	(Australian $)	2.1311	1.3513	0.8709	1.3654
Nepal	(Nepalese Rupee)	77.9483	49.4282	31.8572	49.9444
Netherlands	(Guilder)	2.7405	1.7377	1.12	1.7558
N'nd Antilles	(A/Guilder)	2.8273	1.7928	1.1555	1.8115
New Zealand	(NZ $)	2.6167	1.6605	1.0702	1.6779
Nicaragua	(Gold Cordoba)	10.6300	6.7406	4.3444	6.811
Niger Rep	(CFA Fr)	834.918	529.429	341.225	534.959
Nigeria	(Naira)	34.6940	22	14.1793	22.2297
Norway	(Nor. Krone)	10.7045	6.7878	4.3749	6.8587
Oman	(Rial Omani)	0.6072	0.385	0.2481	0.389
Pakistan	(Pak. Rupee)	48.2868	30.6194	19.7346	30.9391
Panama	(Balboa)	1.5770	1	0.6445	1.0104
Papua New Guinea	(Kina)	1.4509	0.92	0.5929	0.9296
Paraguay	(Guarani)	3028.89	1920.54	1237.82	1940.6
Peru	(New Sol)	3.5308	2.2389	1.443	2.2623
Philippines	(Peso)	41.1597	26.1	16.8218	26.3725
Pitcairn Is	(£ Sterling)	1.00	0.6341	0.4086	0.6407
	(NZ $)	2.6167	1.6605	1.0702	1.6779
Poland	(Zloty)	36499.7	23145	14917.3	23386.7
Portugal	(Escudo)	249.482	158.2	101.963	159.853
Puerto Rico	(US $)	1.5770	1	0.6445	1.0104
Qatar	(Riyal)	5.7494	3.6457	2.3497	3.6838
Reunion Is. de la	(F Fr)	8.3491	5.2942	3.4122	5.3495
Romania	(Leu)	2765.00	1753.33	1130.05	1771.64
Rwanda	(Fr)	216.20(2)	137.096	88.3603	138.528
St Christopher	(E Carr $)	4.2647	2.7043	1.7429	2.7325
St Helena	(£)	1.00	0.6341	0.4086	0.6407
St Lucia	(E Carr $)	4.2647	2.7043	1.7429	2.7325
St Pierre	(French Fr)	8.3491	5.2942	3.4122	5.3495
St Vincent	(E Carr $)	4.2647	2.7043	1.7429	2.7325
San Marino	(Italian Lira)	2460.12	1560	1005.44	1576.29
Sao Tome	(Dobra)	1280.83	812.194	523.471	820.677
Saudi Arabia	(Riyal)	5.9153	3.7509	2.4175	3.7901
Senegal	(CFA Fr)	834.910	529.429	341.225	534.959
Seychelles	(Rupee)	7.7751	4.9303	3.1776	4.9818
Sierra Leone	(Leone)	924.006	585.926	377.639	592.047
Singapore	($)	2.3379	1.4824	0.9554	1.4979
Slovakia	(Koruna)	49.2118	31.2054	20.1123	31.5313
Slovenia	(Tolar)	192.288	121.933	78.5875	123.206
Solomon Is	($)	5.1550	3.2688	2.1068	3.303
Somali Rep	(Shilling)	4139.29	2624.15	1691.31	2651.56
South Africa	(Rand)	5.6244c	3.5665	2.2986	3.6037
		6.7336g	4.27	2.752	4.3146
Spain	(Peseta)	202.763	128.575	82.8686	129.918
Spanish Ports in N Africa	(Sp Peseta)	202.763	128.575	82.8686	129.918
Sri Lanka	(Rupee)	77.6594	49.245	31.7391	49.7593
Sudan Rep	(Dinar)	49.1225	31.1493	20.0762	31.4746
Surinam	(Guilder)	289.554	183.611	118.34	185.528
Swaziland	(Lilangeni)	5.6244	3.5665	2.2986	3.6037
Sweden	(Krona)	11.7961	7.48	4.821	7.5582
Switzerland	(Fr)	2.0309	1.2878	0.83	1.3012
Syria	(£)	31.1951	19.7812	12.7493	19.9878
Taiwan	($)	41.2386	26.15	16.854	26.4231
Tanzania	(Shilling)	822.130	521.325	336.002	526.77
Thailand	(Baht)	39.3858	24.975	16.0967	25.2358
Togo Rep	(CFA Fr)	834.910	529.429	341.225	534.959
Tonga Is	(Pa'anga)	2.1311	1.3513	0.8709	1.3654
Trinidad/Tobago	($)	8.8089	5.5858	3.6001	5.6441
Tunisia	(Dinar)	1.5473	0.9811	0.6325	0.9914
Turkey	(Lira)	53972.8	34225	22058.5	34582.4
Turks & Caicos	(US $)	1.5770	1	0.6445	1.0104
Tuvalu	(Australian $)	2.1311	1.3513	0.8709	1.3654
Uganda	(New Shilling)	1453.14	921.459	593.894	931.082
Ukraine	(Karbovanets)	44226.0	28044.4	18075	28337.3
U A E	(Dirham)	5.7918	3.6726	2.367	3.7108
United Kingdom	(£)	1.00	0.6341	0.4086	0.6407
United States	(US $)	1.5770	1	0.6445	1.0104
Uruguay	(Peso Uruguayo)	8.8689	5.6239	3.6246	5.6825
Vanuatu	(Vatu)	178.990	113.5	73.1526	114.685
Vatican	(Lira)	2460.12	1560	1005.44	1576.29
Venezuela	(Bolivar)	267.585	169.67	109.484	171.644
Vietnam	(Dong)	17143.9	10871.2	7006.65	10984.8
Virgin Is-British	(US $)	1.5770	1	0.6445	1.0104
Virgin Is-US	(US $)	1.5770	1	0.6445	1.0104
Western Samoa	(Tala)	4.0039	2.5389	1.6363	2.5654
Yemen (Rep of)	(Rial)	88.30a(3)	55.9923	36.0879	56.5771
Yemen (Rep of)	(Dinar)	0.6884(3)	0.4365	0.2813	0.441
Yugoslavia	(New Dinar) (1)				
Zaire Rep	(Zaire)	3190.50	2023.15	1303.95	2044.28
Zambia	(Kwacha)	1066.18	676.086	435.736	683.129
Zimbabwe	($)	13.1201	8.3196	5.3621	8.4065

Special Drawing Rights September 29, 1994 United Kingdom £0.930532 United States $1.46824 Germany DM2.27196 Japan Y144.747 European Currency Unit Rates September 30, 1994 United Kingdom £0.785772 United States $1.24100 Germany DM1.92066 Japan Y122.264

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate ; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate(k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (n) Floating rate ; ‡ CIS applies to states in the Rouble Zone. (1) Yugoslav Dinar rate n/a. (2) Rwandan rate for 21.3.94 (3) Yemeni rates for 29.4.94. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.

Friday, September 30, 1994

WORLD BOND MARKETS: This Week

NEW YORK — Richard Waters

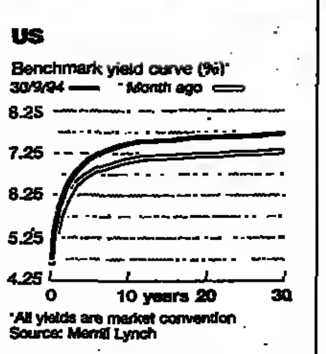
Economic data due in the coming days will determine whether the Federal Reserve was right not to raise interest rates again last week, or whether it has takeo too sanguine a view on inflation.

September's employment report, which is due on Friday, is widely expected to show a pick-up in employmeot growth from the relatively low level of August.

However, at e predicted 230,000 to 300,000, the increase in noo-farm payrolls may not be the figure the bood market watches most closely.

A fall in the unemploymeot rate to below 6 per cent (it was 6.1 per ceot in August) would prove more damaging to fixed income prices.

Among other figures the markets will have to chew on this week will be September's NAPM index, published today. After the decline in August to 56.2, this barometer of purchasing managers' activity is expected to bounce back to anything from 56.5 to 57.



Evidence of faster economic growth would suggest that the Federal Reserve was wrong not to act pre-emptively to raise rates, and leave it in the uneoviable positioo of having to act ahead of its next policy-making meeting, in November.

However, at 7.8 per cent – up from around 7.4 per cent a month ago – the yield on long-dated bonds may already have anticipated much of the bad news.

LONDON — Gillian Tett

In spite of the recent volatility in the European and US financial markets, gilts maintained e relatively firm tone last week, shrugging off many of the broader swings in the UK equities and futures markets. Many analysts expect this trend to continue this week.

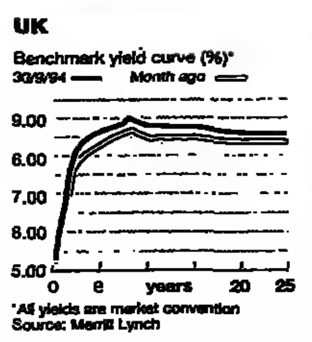
"It's likely to be a week of consolidation," says Ms Katy Peters, senior economist et Daiwa Europe.

She points out that in the last week a stronger trend in the German bund market coupled with a successful gilt auctioo has supported the market slightly.

"The supply side story has been unwinding and that is helping it a bit," she adds.

Mr Simoo Briscoe of S.G. Warburg says: "The recent switching into gilts from equities hints at gr..al underlying dem..nd."

In the absence of the release of any important domestic data this week, one factor that could poteotially affect the



markets is any aftermath from the Japanese-US trade talks.

Some dealers fear that the compromise hammered out in the talks could yet unravel, triggering a fresh bout of international bond market instability.

However on the domestic side, the M0 money supply data today, and output figures later this week, are not expected to have e strong market impact.

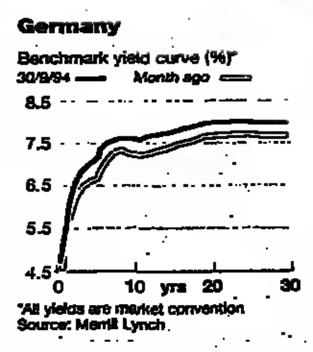
FRANKFURT — Christopher Parkes

The election effect, which prompted a sharp correction in the Frankfurt stock market last week, with a clear knock-on into bonds on Friday, is expected to dominate sentiment in the German financial markets, at least until the federal polls on October 16.

If future opinion samplings confirm the tendency thrown op by the latest Forsa survey, which was published on Friday and showed the Social Democrat/Green alliance with the advantage, then market sentimeot may be deeply depressed.

The Forsa results showed the liberal Free Democrats, junior partners in Chancellor Helmut Kohl's ruling coalition, with insufficieot support to gain seats in the Bundestag.

Politics apart, the usual fundamental factors affecting bonds are continuing to improve. Provisional September inflatioo figures for west Germany showed prices behaving themselves.



A 2 per cent pay rise for clothing industry workers and flexible working arrangements, announced on Friday, was also encouraging for the longer-term price perspective, although textiles is a particularly depressed sector and expectations were low.

August industrial output fell sharply, because of unquantifiable holiday effects, but confidence in the recovery remains intact among most industrial leaders.

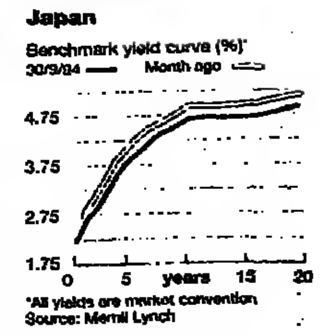
TOKYO — Emiko Terazono

Although bond prices were supported by lower short-term money market rates and the sluggish stock market in the first half of last week, earlier gains were eroded by the release of stronger than expected industrial production figures on Thursday.

This week, government bonds are expected to fluctuate in a narrow range. While weak stock prices and buying by public funds are likely to support the market, cautiousness over the speed of economic recovery is likely to weigh on prices.

Meanwhile, a stronger yeo could briefly prop up investor confidence. The rejectioo of calls to stop the yen's further rise by Mr Masayoshi Takemura, the Japanese finance minister, by other countries at the Group of Seven summit last weekend, is likely to encourage buying of the currency.

Aside from keeping import inflation lower, a higher yen has negative implications for



corporate earnings, so may also hurt the stock market.

Investment flow data for August, to be released this week with August current account figures, will provide some indication of the course of the yen. Foreign investors were net sellers of Japanese equities in July for the first time since June last year and are expected to have sustained the selling in August, which could cap the yen's appreciation.

Capital & Credit / Conner Middelmann

Denmark seen as better risk than Sweden

With the elections out of the way, e major risk factor for Swedish and Danish government boods has beeo removed.

However, followiog the establishment of minority governmeots in both couotries and ahead of the Finnish and Swedish referenda oo European Union membership, these markets are likely to remain volatile in coming months.

Still, commitmeot to fiscal discipline by the new governments in both countries, accompanied by cootinued ecooomic recovery, is likely to support both markets in 1995.

Of the two, Denmark is widely seen to offer hetter prospects. "Denmark's hard-core credentials are strong, but its bond yields are oot in line with hard-core markets," says Mr Kit Juckes, international economist at S.G. Warburg Securities. "Of all the convergence trades in Europe, Danish bonds seem to have the most solid credentials."

With tbe budget deficit in decline, the economy growing steadily wbile inflation remains relatively subdued, Denmark's "fundamental position would indicate an outperformance of bunds," agrees Mr Paul Donovan, analyst at UBS.

Danish bond yields rose sharply this year, largely on fears that the country's stronger than expected growth would fuel inflетionary pressures. As a result, tha yield spread over German boods widened as far as 172 basis points in early September.

It has narrowed considerably *since then, however, partly* due to rising German yields after strong economic data there, and partly to a reassessment of Denmark's fundameotals. On Friday, tbe Danish 10-year benchmark bond yielded 9.03 per cent, some 140 basis points over its German equivalent.

"Denmark's position et the vanguard of the European economic cycle has been supplanted," says Mr Juckes. "Its economy is growing in line with those in the rest of hard-core Europe." He expects the Danish yield spread over Germany to converge to 100 basis points during the first half of 1995.

The minority government is also unlikely to be e problem, giveo that this form of governmeot has become much the norm in Denmark. The centre-left coalition is expected to seek support on its economic policies from the right wing in parliament, and is unlikely to bow to pressure from the far-left, analysts say.

The main risk to the Danish market is likely to come from external sources. Despite the favourable domestic economic *climate, uncertainty over* Swedeo's political situation and the post-election handling of Sweden's deficits may have a spill-over effect, warns Ms Cathy Savage, of Nomura.

"It also seems likely that, despite being firmly rooted within the EU itself, the uncertainty over whether Finland, Sweden and Norway will vote in favour of EU membership is having an impact as a background 'confideoce' issue for Denmark," she adds.

In Sweden, the outlook is more murky and it may take a while before investors regain confidence in the bond market.

Recent years have seen a sharp increase in the budget deficit and public-sector debt, resulting largely from the country's deep recession. However, economic recovery and e package of spending cuts and tax rises announced by the Social Democrats are hoped to break the circle which has undermined the currency and pushed yields higher this year.

Swedish 10-year yields rose to 12.05 per ceot in August, from a low of 6.65 in January, with tbe spread over bunds *widening as far as 494 basis* points. On Friday, tbe yield was back at 11.17 per cent and the spread stood at 354 basis points but analysts warn that the market will remain vulnerable to further setbacks in coming mooths.

"We're not very bullish on the market near-term – there is so much uncertainty," says Mr Allen Owie, senior analyst at Unibank Securities in Copenhagen.

On Friday, the government is due to unveil its economic policy programme; in mid-October, a new central-bank supervisory board and governor are to be appointed, creating uncertainty over the Riksbank's mocetary policy stance; and in January the 1995 budget will be unveiled.

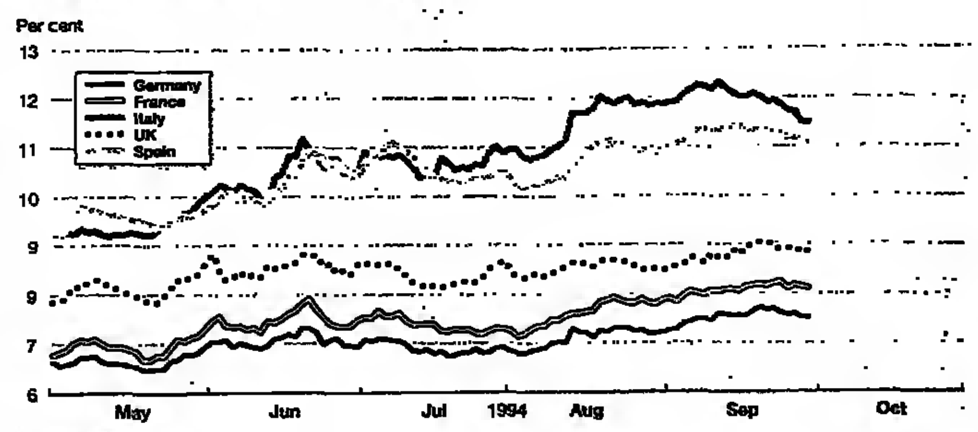
Before the bodget debate heats up, however, Sweden's referendum on EU membership oo November 13 will take centre stage, following the Finnish EU vote oo October 16.

A positive EU vote would have a very positive effect on the bood market, Mr Owie says. "If Sweden agrees to EU membership, its ecooomic pol*icy framework will be dictated* by external factors, which is very bullish in the longer term."

Another risk is a possible rating move by Moody's, the US agency. While Standard & Poor's receotly affirmed its AA+ rating, fears of a downgrading by Moody's later in the year has scared the market.

If the EU referendum yields a "yes," Moody's leaves its Aa2 rating unchanged and the government produces a fiscally austere budget package, Swedish bonds could be in for a rally in early 1995, Mr Dooovan predicts. Until then, *however*, investors will be in for a bumpy ride.

10-year benchmark bond yields



Source: Datastream

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	4.00	1.75	4.50	6.40[1]	7.50	5.75[2]
Overnight	5.00	2.22	4.63	5.18	7.81	4.75
Three month	4.79	2.25	5.06	5.50	8.43	6.75
One year	5.95	2.58	5.56	6.27	9.81	7.31
Five year	7.28	3.89	7.11	7.65	11.91	8.63
Ten year	7.60	4.56	7.57	8.12	11.75	8.81

(1) France-Repo rate. (2) UK-Base rate. Source: Reuters.

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	98-24	98-30	+0-08	99-06	98-16	412,847	394,650
Mar	98-04	98-08	+0-08	98-16	97-27	7,618	24,820
Jun	97-11	97-18	+0-06	97-23	97-07	854	10,754

International / Graham Bowley

Europe to remain in the doldrums

The dramatic reversal in sentimeot in world government bond markets this year has had an equally dramatic impact on the pattern of new issuance in the eurobond markets.

While new issuance of fixed-rate eurobonds and of euroboods denominated io most European currencies has withered in this year's difficult market *conditions, yen-denom*inated boods, medium-term notes and floating-rate notes have all flourished.

According to data supplied by Euromoney Boodware, the volume of new eurobond issues in the first nine months of 1994 totalled an equivaleot of $282.8bn, down from $304.4bo in the same period last year, althoogh still ahead of the $212.5bo of the first nine months of 1992.

Within that total, however, the volume of fixed-rate new issues fell by $47.8bo to $185.9bn, a victim of expectations of higher inflatioo and the turn upwards in world interest rates.

The reverse side of this trend downwards in fixed-rate issues has beeo an explosioo of growth in floating-rate notes. FRN issuance totalled ao equivalent of $76.4bn between January and September this year, compared with $49.7bn in the first nine months of last year.

FRNs offer variable rates of interest which move to reflect changes in short-term money market interest rates. They have, therefore, provided investors with a degree of protection in this year's rising interest rate environmeot.

Probably the most startling trend, in this year's bear market, however, has been the rise in the volume of eurobonds denominated in yen. With the yeo appreciating against the US dollar and with exceptional volatility in European bond markets, Japanese investors have cooceotrated oo their own currency sector. The result has beeo a 50 per cent increase in yeo-denominated issues, to $46.9bo in the first nine months of 1994.

The Italian lira is another curreocy eector which hae returned to favour this year. The equiveleot of $13.9bo worth of new eurolira boods were issued betweeo January and September of this year, compared with $10bo worth over the same period in 1993. After sharp falls in Italian government bond prices earlier in the year, the market has again stabilised in recent monthe.

Other European currency sectors have experienced sharp falls in eurobond issuance as demand has evaporated at the prospect of higher inflation and rising short-term official interest.

In the D-Mark sector, the equivalent of $22.2bo worth of eurobonds was issued in the first nine mooths of this year, against $41.3bo in the same period *last* year.

The sterling sector, which saw the first rise in official short-term interest rates last mooth, saw issuance between January aod September of $25.9bn, against $35.8bn in the same period of 1993.

Of the top eurobond houses, Merrill Lynch seems to have been the most successful in coping with these difficult and changing market conditions.

It lead-managed the equivalent of $27.9bo worth of eurobonds betweeo January and September, an almost 10 per cent market share, compared with $12.73bn, or about 4 per cent of market share, at the same stage last year.

The directioo the eurobond markets will take over the remaining mootha of 1994 is not clear. Whether the yeo sector remains in vogue will depend, *in part, on the perfor*mance of the yen against the dollar.

With European interest rates heeded upwards, however, European currency sectors will likely remain in the doldrums, while FRNe can look forward to cootinued popularity.

TOP EUROBOND LEAD MANAGERS

	First nine months of 1994				First nine months of 1993			
Manager	$bn	Rank	%	Issues	$bn	Rank	%	Issues
Merrill Lynch	27.94	1	9.88	119	12.73	7	4.18	60
CSFB/ Credit Suisse	18.94	2	6.70	66	14.48	3	4.76	65
Goldman Sachs	18.33	3	6.48	71	23.38	1	7.68	81
Lehman Brothers	12.69	4	4.49	58	11.40	8	3.75	60
Nomura	12.64	5	4.47	83	12.69	6	4.27	46
Swiss Bank Corp	12.31	6	4.35	68	6.54	17	2.15	36
UBS	11.64	7	4.12	34	10.10	11	3.32	46
Morgan Stanley	10.68	8	3.78	63	14.18	4	4.66	56
JP Morgan	10.06	9	3.56	49	8.61	12	2.83	42
Deutsche Bank	9.81	10	3.47	48	20.35	2	6.69	64
Industry totals	282.79		100.0	1579	304.35		100.0	1443

Full credit to book runner. Source: Euromoney Bondware

EUROBOND ISSUES BY CURRENCY

1994* Rank	Currency	Total raised ($bn)	No. of issues	1993* Rank	Total raised ($bn)	No. of issues
1	US$	117.92	547	1	113.06	557
2	Yen	46.93	370	4	31.11	197
3	Sterling	25.90	115	3	35.83	166
4	D-Mark	22.23	82	2	41.31	114
5	FFr	18.77	72	5	26.92	112
9	Lire	13.93	106	7	9.99	69
7	C$	12.54	104	6	24.79	135
8	Guilder	9.60	50	8	9.64	42
9	Ecu	5.65	29	8	5.19	17
10	A$	5.02	68	10	2.59	32

*First nine months. Source: Euromoney Bondware

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Yangming Marine Trans.(a)§	160	Oct.2001	2.00	100.00	-	-	Barings Intl. Finance
Thai Oil Co.(b)‡	200	Nov.2001	(b1)	99.65R	-	-	Chemical Securities HK
San Miguel Corp.	115	Apr.2000	9.00#	99.60R	9.094	+190(Wl 5yr)	JP Morgan Securities
BBV Finance International★	50	Sep.1995	zero	94.225	6.111	-	Sanwa International
Indover Bank‡	125	Oct.1997	(d)	100.00R	-	-	HSBC Markets
Soc. Gén. Acceptance(e)	75	Oct.1995	zero	100.00R	-	-	Société Générale
Lebanese Republic	400	Oct.1997	10.125	99.538R	10.31	+325(6½%-97)	Merrill Lynch Intl.
Korea Development Bank(f)	500	Oct.2004	8.09#	100.00R	8.090	+80(7½%-99)	CS First Boston
L-Bank	200	Nov.1997	7.00	99.95R	7.019	+10(6½%-97)	Swiss Bank Corp
Banco Bamerindus	100	Oct.1997	11.00#	99.05R	11.38	+450(6½%-97)	Salomon Brothers
Bk.of Tokyo(Curacao)Hldgs(g)‡	80	Oct.2004	(g1)	100.15	-	-	Bk.of Tokyo Cap.Mkts.
Grupo Iusa	50	Oct.1999	10.00#	99.525R	10.12	+230(7¼%-99)	Citibank International
Metway Bank(h1)★‡	25	Apr.1996	(h3)	99.95	-	-	Chemical Inv'ment Bk.
Metway Bank(h2,s)★‡	25	Jun.1996	(h3)	99.95	-	-	Chemical Inv'ment Bk.
Commerzbank O'seas Fin.(n)	200	Nov.1998	7.50	100.12R	7.464	+25(l)	Morgan Stanley Intl.
STERLING							
Soc. Gén. Acceptance	120	Nov.1997	8.875	99.877R	8.924	+40(8¼%-97)	HSBC Markets
D-MARKS							
Kingdom of Belgium	1bn	Oct.1999	7.25	99.52R	7.369	+25(6¾%-99)	Dresdner/ SBC Frt
Banco Nacional	100	Oct.1997	10.25	100.60	10.01	-	Commerzbank
African Development Bank	300	Oct.1999	7.25	99.83R	7.292	+24(6¾%-99)	Deutsche Bank
European Investment Bank(j)	1bn	Nov.2002	7.50	100.66	7.383	-	WestLB
JFM	100	Oct.2004	7.75	100.12R	7.732	+25(6¾%-04)	Deutsche/ LTCB Frt
FRENCH FRANCS							
Abbey Natl.Treasury Services	2bn	Nov.1998	7.25	99.96	7.272	-	Banque Paribas
Kingdom of Sweden	2bn	Nov.1998	7.125	99.88	7.192	+18(6½%-98)	Banque Paribas
CANADIAN DOLLARS							
Daimler-Benz North America	100	Nov.1999	8.75	99.994R	8.752	+15(7¾%-99)	Merrill Lynch Intl.

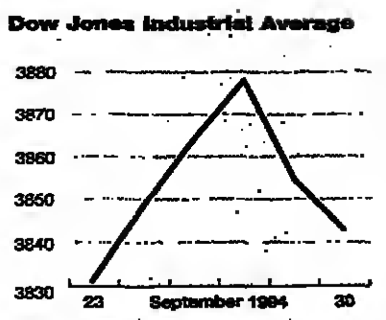
Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
ITALIAN LIRE							
Ford Credit Europe	150bn	Nov.1998	11.70	101.54	11.20	-	Credito Italiano
Bayerische Hypobank(o)	200bn	Nov.1998	11.10	101.075	10.48	-	BNL/ San Paolo, Turin
DSL Finance	150bn	Nov.1998	11.00	101.52	10.52	-	BCI
GUILDERS							
Crédit Local de France	200	Nov.1997	8.75	99.65R	8.883	+26(6¾%-97)	Rabobank Nederland
AUSTRALIAN DOLLARS							
New Sth.Wales Treasury Corp.	100	Nov.1997	9.25	101.04	8.84	-	SZW
Soc.Gén. Australia	100	Nov.1997	9.50	100.924	9.134	-	ABN Amro/ HSBC Mkts.
SWISS FRANCS							
PSK	200	Nov.2002	5.625	102.50	5.235	-	Credit Suisse
Rabobank Nederland(c,s)	75	Sep.1997	5.125	101.65	-	-	Merrill Lynch Cap.Mkts.
KfW Intl.Fin., Delaware(k)★	100	Aug.1998	5.50	102.35	4.793	-	Merrill Lynch Cap.Mkts.
Misawa Homes Co.(m)ф	150	Oct.1998	2.50	100.00	-	-	Credit Suisse
LUXEMBOURG FRANCS							
Bacob Overseas	2bn	Oct.2001	8.50	102.375	8.043	-	Bacob Bank Lux.
Cregem International Bank	2bn	Jul.1998	8.00	102.30	7.30	-	Cregem Intl. Bank
Deutsche Bank Luxembourg(l)	2bn	Dec.1999	8.00	102.45	7.40	-	BGL/ Paribas Lux.

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ‡Floating rate note. фWith equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Conv price: NT$30.37. FX: 26.28NT$/$. Putable on 8/10/99 at 123.18%. Callable from 8/10/97, subject to 135% hurdle, at 103% falling 1%pa to par. b) Callable in Nov 99 & Nov.00 at par. b1) 6-mth Libor +85bp. c) Issue launched on 10/8/94 was increased to SFr175m. d) 3-mth Libor +57½bp. e) Redemption proceeds linked to basket of Latin American debt. f) Puttable on 6/10/99 at par. g) Amortises after 3 yrs at rate linked to Libor index. Cleanup call at 10%. g1) 3-mth Libor +50bp, max 10%. h1) Tranche A. h2) Tranche B. h3) 3-mth Libor +25bp. i) Over interpolated yield. j) Fungible with DM1bn. No accrued. k) Fungible with SFr100m. Plus 90 days accrued. l) Long 1st coupon. m) Pricing: 6/10/94. Refixing clause Nov.98. n) Long 1st coupon. o) Increased by L50bn at 101.525% to L200bn. s) Short 1st coupon. Note: Yields are calculated on ISMA basis.

EQUITY MARKETS: This Week

NEW YORK — Frank McGurty

Muted sighs of relief after FOMC meeting



Source: FT Graphite

The sighs of relief when the Federal Reserve decided against an immediate credit tightening last week were muted. The leading market indices managed to add a few points in the aftermath, but most analysts expect them to reverse course before too long.

This week it may become more apparent why the enthusiasm of investors has been restrained, even though few had predicted an early move by the Fed, and not many would hava welcomed one.

Interest rates are approaching a level at which the appeal of equities would diminish, analysts say. With that in mind, the stock market is closely tracking the yield on the benchmark 30-year government bond, which is sure to rise or fall in response to any change in mooetary policy.

Most investment strategists see the 8.00 per cent level as a red flag for equities. Late on Friday, the long bond was bid at about 7.83 per cent, compared with 7.79 per cent before the Federal Open Market Committee's policy-making session on Tuesday.

When the FOMC meeting ended with no statement – save a terse announcement that the meeting had adjourned – Fed watchers were quick to put an unfavourable spin on the form chosen by the central bank to frame its traditional reticence.

The statement was interpreted as a signal thet the FOMC had authorised Mr Alan Greenspan, the Fed chairman, to increase rates as soon as he sees irrefutable evidence that the economy is growing at an unmanageable pace.

He may not have to wait very long.

This week brings the most keenly watched economic report of the month. On Friday, the Labor Department will release September employment data which is expected by analysts to show a gain of 250,000 in non-farm payrolls.

An excessive rise may not cause Mr Greenspan to act immediately. He may want to consider next Friday's data on industrial production before making a decision. But a big jump in payrolls is likely to trigger an instant reaction in the stock market, as investors anticipate what would then seem to be inevitable.

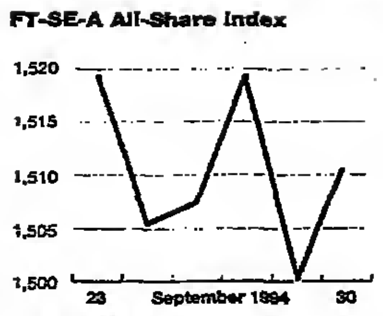
A month earlier, Wall Street was pleasantly surprised by a payroll increase of just 179,000, which helped lift share prices to their mid-September highs and perhaps persuaded the FOMC to stand pat last week.

This time, however, a stronger than expected surge in August industrial production suggests that manufacturers may have taken on more workers in September than analysts have calculated.

Against this unfavourable backdrop, the third-quarter reporting season has arrived. Wall Street is expecting strong results. If this week's first arrivals fail to impress, the negative sentiment could spill over inin related stocks.

LONDON — Terry Byland

Vulnerable to fears of further tightening



Source: FT Graphite

Fund managers and stockbroker analysts face an uncomfortable Monday morning. The third quarter of 1994 has come and gone, leaving little behind in the way of significant equity performance and with market fears of a tightening in Federal Reserve credit policy increased by the latest data on US gross domestic product and housing starts.

Not the best opening to a final trading quarter, which requires the UK market to gain up to 20 per cent if it is to meet the most optimistic of City forecasts for the FT-SE 100 Index at the year-end. With at least two leading international investment bankers still prepared to compare October 1994 with October 1987, even if they do finally reject the comparison, it is not surprising that some nervousness is creeping into analysts' forecasts.

S.G. Warburg has taken tbe plunge and cut its year-end Footsie forecast from 3,500 to 3,250 – "a more plausible central assumption", says the Warburg strategy team, in view of the absence of significant recovery of confidence in global bond markets. For Footsie 3,500, Warburg says we will all have to wait until December 1995; no comfort at all to those houses still holding firm to this target for the end of this year.

Rising bond yields have returned to haunt the UK stock market, perhaps even surpassing corporate earnings uncertainty as a governing influence. Kleinwort Benson Securities sees the London equity market as particularly vulnerable, and has cut the UK weighting of its recommended equity allocation from 12 to 10 per cent.

Kleinwort is keen on cash (10 per cent recommended), a view that found favour last week with some fund managers, who decided trustees might be impressed if they sold UK equities even if returns on cash are not impressive.

Leanings towards cash are echoed by UBS in its comparison of the present market scenario with that of 1987. It rejects any suggestions of a major disaster, but says that worries over equity valuations, a weak US currency and high real interest rates could drive investors to the short end of global government bond markets.

Goldman Sachs, the other house to refer back to 1987, also says "short-term oriented investors might usefully boost their cash holdings". For the medium term, Goldman is optimistic on equities, believing that US economic recovery will last at least into 1966.

Nor are these uncertainties mere long-range views. The UK stock market has proved itself still highly vulnerable to fears of further tightening in global credit policies. This Friday's annoimcement of US payroll data, expected to be strong, could trigger a further aggressive tightening by the Fed, "not just in October but subsequently", according to Kleinwort.

International offerings

Russian 'blue chips' in search for pioneers

When JSG Rosneftegazstroy (RNGS), a Russian oil and gas construction company, announced last week that it is seeking to raise $25.5m by selling 3.7 per cent of its shares to international investors, the news did not grab any headlines.

However, in a week in which managers of five "self-styled" blue chip Russian companies came to London to present their businesses to potential international investors, it provided another reminder of Russia's status as an increasingly fashionable emerging market.

In spite of huge risks, including widespread crime and a primitive stock market, more than $500m a month in overseas money is now flowing into Russian companies, attracted by returns of several bundred per cent.

Several funds, most of them launched this year, allow institutions to buy into Russian companies, often through the over-tbe-counter market (which accounts for the bulk of stock market trades). These have helped crystallise investor interest.

Baring Asset Management bopes to launch a fund of not less than $100m later this month, following in the footsteps of companies such as Framlington, whicb raised $66m with its Framlington Russian Investment Fund last December, and Fleming, which launched its $55m Fleming Russian Securities Fund last month.

The company announcing its capital-raising plans this week, RNGS, is following in the footsteps of Gazprom, the largest gas producer in Russia.

The government two months ago appointed Kleinwort Benson to sell up to 9 per cent of Gazprom's shares to overseas investors, either through a private placement or international issue.

RNGS, the legal successor to the Soviet Ministry for Oil and Gas Construction, is being advised by Geneva-based Rhône Finance.

Desperate for capital, many Russian companies could follow suit. Many of the biggest are now beginning to organise their accounts and other operations more efficiently.

Ms Beth Hebert, fund manager for the Fleming Russia Securities Fund, notes that last week's "blue chip" roadshow in London signalled a sea change in attitudes in Russian business.

"It is not very often you get a chance to hear directly from these companies. It is quite a change from where we were a few months ago when people didn't even return phone calls," she said.

CA, the Moscow-based brokerage whicb organised tbe meeting, said o number of Russian companies are preparing to issue global depositary receipts from January next year.

Ms Danielle Downing, a director of CA, said she expects Russian banks, which are more accustomed to producing audited accounts and have relatively strong balance sheets, to be among the first categories of companies to issue GDRs.

Later in 1995 and 1996, Russia's huge utilities and energy companies could follow. As well as UESR, Lukoil, the country's biggest oil company, is one widely-tipped candidate.

GDR issues may increase the acceptability of Russia to a wider spectrum of investors, but mainstream investors are likely to remain on the sidelines for sometime.

Mr Gary Fitzgerald, head of emerging markets at Framlington, says that most investors in Russia at the moment are those prepared to accept higher risk.

Mr Jim Mellon, managing director of Regent, is bullish but warns: "This is absolute pioneer stuff. Its real acorn investment. There are bound to be disasters on the way."

Richard Lapper

OTHER MARKETS

FRANKFURT

After today's unification holiday, the market will increasingly be influenced by opinion polls ahead of the federal election on October 16. UBS expects a continuation of the volatility in the stock market to be combined with a sideways trend in the run up to the polls.

On the corporate front, Allianz holds its annual meeting on Wednesday while Thursday and Friday bring the annual meeting of the chemical association. UBS says that volume in the domestic chemical sector was up 4 per cent in the first half of this year.

Given that the usual seasonal downturn in the third quarter did not happen this year, positive indications might be given for the last quarter of 1994.

August industrial production and manufacturing order figures are due on Thursday. James Capel expects a 0.6 per cent rise in industrial production, noting that recent rises in industrial orders point to continuing strength in production.

It forecasts a 0.5 per cent increase in overall manufacturing orders, noting that, encouragingly for the sustainability of the recovery, the improvement in orders was increasingly spreading to the domestic side.

MILAN

With the mostly good corporate reporting season now over, the debate over the government's budget proposals will rumble on this week.

James Capel says that the dominant issue in its European equity strategy is one of earnings recovery, which it expects to support substantial market advances over the next year to 18 months.

The broker forecasts a 50 per cent recovery in earnings per share in 1995 in the Italian corporate sector, driven both by volume demand and a reduction in variable costs.

James Capel believes that the sbort-term risks remain considerable and could depress market performance further.

The heterogeneous oature of the ruling coalition and opposition from the unions might soften the proposed budget cuts aimed at correcting the fiscal imbalance.

The long-term outlcok, with recovery in output and earnings, and a budgetary position that was certainly better than that of Sweden, could be promising for equity market returns, says the broker.

At present, however, it maintains the view that other European markets offer growth prospects and value at lower risk, altbough individual stocks have good growth potential.

STOCKHOLM

The market has little in the way of results to provide focus this week.

Friday, however, will bring the listing of a SKr3bn tranche of Stadshypotek, the country's leading provider of housing finance.

Unibank Securities says that concern over the determination of the country's new government to implement austerity plans raises questions over the near-term pressure on margins of the banking system as a whole.

In the longer term, the markets will focus on Stadshypotek's ability to fund its own liabilities without state backing from January 1 1995.

TOKYO

Investors remain cautious over the direction of the yen and announcements of revised interim corporate earnings, writes Emiko Terazono.

Although share prices failed to react to most of last week's upward revision announcements, investors bave not missed the opportunity to sell on downward earnings revision releases.

While buying by public pension and insurance funds is expected to support the 225-share Nikkei average until the listing of Japan Tobacco later this montb, a further fall of Japan Telecom could trigger selling.

HONG KONG

Property company shares are likely to remain a key feature of trading in the colony this week as the sector rounds off its reporting season with the announcement of full-year figures by Sun Hung Kai Properties on Friday, writes Louise Lucas.

The sector took a tumble at the end of last week after Cheung Kong, the property development company controlled by Mr Li Ka-shing, announced pre-sale prices for apartments in a New Territories development.

These proved sbarply below market expectations and those of recent pricings of similar developments.

In response, the Hang Seng index fell 1.9 per cent on Friday, wiping out the benefit of cumulative rises seen during the four previous sessions and leaving the market 1.2 per cent lower on the week.

This month's land auction is also expected to generate little excitement.

Share prices could continue to trend lower on concerns about the over-heating economy in China and the poor state of Sino-British relations.

Investors will also be looking to governor Chris Patten's policy speech on Wednesday for any signals of plans to improve co-operation between the two governments.

Compiled by Michael Morgan

COMPANIES & FINANCE

Banks lending to companies at less than cost of capital

By John Gapper in Madrid

FT Conferences

The excess of capital in the banking system is leading to banks lending money to large companies on terms wbicb only cover "a modest proportion" of the cost of capital, according to a leading banker.

Mr David Harrison, tbe senior general manager for corporate banking at Lloyds Bank, said that credit losses in the early 1990s had "to be regarded as once in a lifetime acts of God" to justify recent loan pricing.

Mr Harrison told the Financial Times cooference oo international banking in Madrid that there were, nonetheless, trends in corporate banking whicb allowed Lloyds to maintain its commitment to tbe activity.

These included the chance of forming partnerships with customers to design tailored products, sucb as cash management systems, which banks could then offer to a wider market knowing that they had been tested.

He defended the use of overdrafts by UK companies despite supervisory calls for longer-term finance. "Witb luck, the atmosphere will improve as the recession recedes – the overdraft is too useful to be abandoned," he said.

Mr Onno Ruding, vice-chairman of Citicorp, said that monetary union in Europe was "not dead, but carries a serious possibility of being implemented around the year 2000" by five or six EU members.

However, technical factors such as the need for banks to have five years' warning of the introduction of a single currency meant that the original Maastricht Treaty timetable of full union by 1999 was unrealistic.

He said that retail banks would bear substantial costs of adaptation, but the main revenue losses would be felt by wholesale banks, which would suffer a loss of income from intra-European currency exchange.

Mr Isamu Koike, managing director of the Industrial Bank of Japan, said that Japanese bankers were more confident that they had identified the size of bad debts stemming from the "bubble" economy.

Mr Koike said that the $136bn of non-performing loans held by the 21 largest banks would "not be resolved overnight" but Japanesa banks' earning capacity should enable them to recover without government intervention.

Maytag decides against Australian flotation

By Nikki Tait in Sydney

Maytag, tbe US bome appliance manufacturer, is abandoning plans to float its Australian and New Zealand-based wbite goods and floor care appliance operations.

It blamed the recent deterioration and weakness of tbe Australian stockmarket, especially for new offerings, and said it could see greater value in retaining the operations, rather divesting them "into a down market".

The decision to abandon the flotation of Hoover Australia follows several days of rumours that the sale was in trouble. Earlier in the week, there was speculation that the price at which the shares were to be sold might have to be cut from A$1 to 85 cents because of lack of interest among institutional investors and potential sub-underwriters.

Maytag first announcad plans to sell the businesses in May, saying it would prefer to do so by way of a stockmarket flotation. The operations were formerly part of the Hoover group, which was taken over by Maytag in 1988.

Hoover Australia is reckoned to have about 18 per cent of the white goods market in its home country. Analysts had expected the sale to raise between A$100m ($73m) and A$150m.

● Sbell Australia has released details of the planned flotation of its minerals business, which is being packaged into a new company called Acacla Resources. It said 200m Acacia shares - 100 per cent of the company's equity - would be offered at A$2 each.

TANJONG
PUBLIC LIMITED COMPANY
(Incorporated in England No. 210874)

NOTICE OF AN INTERIM DIVIDEND AND CLOSURE OF BOOKS

NOTICE IS HEREBY GIVEN that an interim dividend of 3.4 sen per share (after having taken account of Malaysian Income Tax at 32%) in respect of the financial year ending 31 January 1995 was declared by the Directors on 30 September 1994. Subject to the following paragraph, the dividend will be paid on 15 December 1994 to shareholders on record of the Company at the close of business on 24 November 1994.

Any employee of the Company who has exercised, or wishes to exercise, the option to subscribe for shares in the Company granted to such employee under the Company's Employees' Share Option Scheme should note that an employee exercising such an option is not entitled to an interim dividend if it is declared before the date of the employee's exercise of option.

In any event, the Register of Members of the Company will be closed from 25 November 1994 to 30 November 1994 (both dates inclusive) for the purpose of determining shareholders' entitlement to the dividend.

Registrable transfers received by the Company's Branch Registrars in Malaysia, Signet & Co. Sdn Bhd, at 103-1, 1st Floor, Kompleks Antarabangsa, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia, or the Company's Principal Registrars in the United Kingdom, Independent Registrars Group Limited, at Broseley House, Newlands Drive, Witham, Essex CM8 2UL, up to the close of business at 5.00 p.m. on 24 November 1994 will be registered before entitlements to the dividend are determined.

BY ORDER OF THE BOARD

David Kuok
Sivagamy Ramasamy
Joint Secretaries

30 September 1994

17th Floor Menara Boustead
Jalan Raja Chulan 50200 Kuala Lumpur
Malaysia

SOCIETE GENERALE
USD 200.000.000
SUBORDINATED STEP-UP FLOATING RATE NOTES DUE 2008

For the period September 30, 1994 to December 30, 1994 the new rate has been fixed at 5,75 % P.A.

Next payment date: December 30, 1994
Coupon nr: 4
Amount: USD 145,35 for the denomination of USD 10 000
USD 1453,47 for the denomination of USD 100 000

THE PRINCIPAL PAYING AGENT SOGENAL SOCIETE GENERALE GROUP
15, Avenue Emile Reuter LUXEMBOURG

RPS
Residential Property Securities No.3 PLC

£95,000,000	£150,000,000	£5,000,000
Class A1 Notes	Class A2 Notes	Class B Notes

Mortgage Backed Floating Rate Notes due 2025

In accordance with the provisions of the Notes, notice is hereby given that for the three month period 29th September 1994 to 29th December 1994, the Class A1 Notes, Class A2 Notes and Class B Notes will carry an interest rate of 6.225%, 6.095% and 7.125% per annum respectively. The interest payable per £100,000 Note will be £949.88 for the Class A1 Notes, £1,519.58 for the Class A2 Notes and £1,776.37 for the Class B Notes.

NatWest Markets

End of Month S.G.Warburg Warrant Valuations
as at 30th September 1994

	TYPE	CURRENCY	SPOT	STRIKE	PRICE	EXPIRY
Single Stocks						
BHP	Call	AUD	19.63	19.50	1.61	29th Jun 95
Coles Myer	Call	AUD	4.17	4.10	0.64	23rd Nov 95
Berner	Call	CHF	1210	1250	16.60	20th Jun 96
Dumas	Call	CHF	1710	1600	42.00	2nd Aug 96
Cheung Kong	Call	HKD	57.60	59.80	1.11	8th Mar 96
China Light & Power	Call	HKD	39.40	41.00	0.93	2nd Jan 96
Dao Heng Bank	Call	HKD	26.30	52.00	0.40	25th Jan 96
Hong Kong Electric	Call	HKD	25.40	29.20	0.39	6th Feb 96
Hong Kong Telecom	Call	HKD	15.50	15.60	0.29	24th Nov 95
Hutchison Whampoa	Call	HKD	36.50	36.00	0.85	21st Dec 95
Hysan Development	Call	HKD	21.70	17.00	7.45	6th Sep 95
Malayan Bank	Call	HKD	17.10	13.05	6.18	21st Dec 95
Sun Hung Kai Properties	Call	HKD	57.80	50.00	1.85	2nd Jun 96
Metallgesellschaft	Call	DM	144	230	1.37	31st Oct 95
Philips Electronics	Call	NLG	53.10	54.18	6.07	8th Sep 95
Mondadori	Call	ITL	15230	16830	321	22nd Dec 95
Saipem	Capped Call	ITL	3635	4246	203	30th Mar 95
Telecom Italia 1	Call	ITL	4408	3832	1159	14th Jan 96
Telecom Italia 2	Call	ITL	4408	5237	383	28th Jun 96
Stet 1	Call	ITL	4843	4725	861	14th Sep 95
Stet 2	Call	ITL	4843	6770	299	28th Jun 96
Thai Farmers Bank	Call	THB	164	127.80	60.90	17th Jan 96
Baskets						
Australian Insurance	Call	AUD	105	101.57	1.93	3rd Jan 96
European Airlines 1	Call	£	418	320	10.51	3rd Feb 95
European Airlines 2	Call	£	418	468.91	5.30	9th Mar 96
European Multi-Media 1	Call	£	2035	2028.57	2.02	28th Sep 95
European Multi-Media 2	Call	£	2055	2475	0.87	28th Sep 95
European Steels	Call	DM	3962	2550	144	12th Jan 95
German Mechanical Eng	Call	DM	2655	3000	212	5rd June 96
UK Banks	Call	£	100	114.75	0.31	1st Jun 95
UK Insurance	Call	£	82.99	86.00	1.14	20th Mar 96
UK Food Retailers	Call	£	104.50	106.25	1.28	9th Nov 95
UK Pharmaceuticals 1	Call	£	96	98.05	0.42	26th Jan 95
UK Pharmaceuticals 2	Call	£	96	87.50	1.72	20th Nov 95
UK Support Services	Call	£	79.3	107.50	0.06	2nd Aug 95
UK Water Companies	Call	£	96	104.75	0.31	5th May 95
Italian Industrials 1	Call	ITL	20138	19665	376	31st Aug 95
Italian Industrials 2	Call	ITL	20158	24549	122	51st Aug 95
Italian Recommendation	Call	ITL	388653	489229	393	13th Oct 95
Swedish Capital Goods	Call	SEK	101823	112054	13.31	20th Oct 95
Asian Oil Sector	Call	USD	1.13	1.00	0.32	23rd Jun 96
European Commodities	Call	USD	868	3600	8.05	10th Jun 96
Indo-China	Call	USD	0.91	1.00	0.09	8th Dec 95
Korean Blue Chips	Call	USD	12892	KW9000	7.30	22nd Dec 95
Singapore Shipyards	Call	USD	9.32	SGD10.00	1.00	14th Nov 95
Taipei Property	Call	NTD	1123	800	510	2nd Jun 96
Taiwanese Blue Chip	Call	NTD	1286	1000	354	30th Mar 95
Indices						
FTSE Mid-250 Index	Call	£	3495	2900	6.35	17th Mar 95
FTSE Mid-250 Index	Call	£	3495	3470	1.96	17th Mar 95
FTSE Mid-250 Index	Call	£	3495	5670	1.04	17th Mar 95
FTSE Mid-250 Index	Call	£	3495	5900	0.42	17th Mar 95
FTSE Mid-250 Index	Call	£	3495	5945	1.59	17th Jan 96
FTSE Mid-250 Index	Put	£	3495	2900	0.05	17th Mar 95
FTSE Mid-250 Index	Put	£	3495	3470	1.94	17th Mar 95
FTSE Mid-250 Index	Put	£	3495	3270	1.12	17th Mar 95
FTSE Mid-250 Index	Put	£	3495	5900	4.64	17th Mar 95
BCI-30	Call	DEM	15.70	16.94	2.62	19th Jan 96
BCI-30	Put	DEM	15.70	16.94	5.04	19th Jan 96
Relative Performance						
Investor/Core Holdings	Call	SEK	-1.54%	+/-0%	136.10	21st Dec 95
Investor/OMX	Call	SEK	+0.28%	+/-0%	134.20	21st Dec 95
Volvo/OMX	Call	SEK	+39.96%	-10%	413.10	23rd Feb 95
Volvo/OMX	Call	SEK	+39.96%	+/-0%	528.10	23rd Feb 95

S.G.WARBURG
S.G.WARBURG GLOBAL EQUITY DERIVATIVES
FOR INFORMATION CONTACT JUSTIN CHITTENDEN ON 071-860 0517 REUTERS PAGE: WARA

Nafin Finance Trust II
U.S. $129,880,000
Floating Rate Notes due 1999

For the Interest Period 30th September, 1994 to 3rd January, 1995 the Notes will carry a Rate of Interest of 7.73125% per annum. The Coupon Amount per original U.S. $10,000 Note will be U.S. $128.96 payable on 3rd January, 1995.

Bankers Trust Company, London Agent Bank

HYDRO-QUÉBEC
U.S. $200,000,000
Floating Rate Notes, Series IJ, Due October 2005
Unconditionally guaranteed as to payment of principal and interest by
PROVINCE DE QUÉBEC

NOTICE IS HEREBY GIVEN that for the Interest Period 3rd October, 1994 to 3rd April, 1995, the interest rate will be 5.4375% per annum.

The interest payable on 3rd April, 1995 against Coupon No. 3 will be U.S. $137.45 per U.S. $5,000 Note and U.S. $2,719.00 per U.S. $100,000 Note.

Bank of Montreal
as Calculation Agent 3rd October, 1994

KLEINWORT BENSON JAPANESE WARRANT FUND, SICAV

Registered Office: 14, rue Aldringen, Luxembourg
Commercial register: Luxembourg, Section B n° 37.305

The Annual General Meeting of Shareholders of KLEINWORT BENSON JAPANESE WARRANT FUND, SICAV, will be held at its registered office in Luxembourg, 14, rue Aldringen, on 12th October, 1994 at 11.00 a.m. for the purpose of considering and voting upon the following agenda:

1. To consider
   a) the Management Report of the Directors;
   b) the Report of the Auditor.
2. To consider the statement of net assets and the statement of changes in net assets for the period ended 30th June 1994.
3. To discharge the Directors with respect to the performance of their duties during the year ended 30th June 1994.
4. To elect the Directors and the Auditor to serve until the next annual general meeting of shareholders.
5. Any other business that might properly come before the meeting.

The shareholders are advised that no quorum for the statutory general meeting is required and that decisions will be taken at the majority of the shares present or represented at the meeting.

The Board of Directors

In *the* past year, we've seen *our* storage business grow 30%, *our* PC business grow 100%, *and our* Alpha AXP sales increase 164%.

Some people think those figures already represent a comeback. To us, it's just a beginning. Digital is changing from a company famous for complicated decision-making, to one famous for decisiveness.

At our new Computer Systems Division, we're applying the lessons learned in our PC operation to our core business. The result: a division with its own manufacturing, engineering, sales and marketing–one that lets us pay more attention to your needs, with systems unequaled in their openness and range of choice.

THE BEST OF CISC, THE BEST OF RISC

That choice begins with two equally supported platforms–Intel™ CISC for very high volume and high performance PC clients and servers, and our 64-bit Alpha AXP™ RISC for absolutely blinding performance in workstations and servers. And we offer the only products you can convert from CISC to RISC.

Now the industry is finally beginning work on 64-bit RISC, and we're happy to see this endorsement of Alpha AXP. But HP and Intel say it'll take a few years. We have 64-bit RISC now. With 6,000 applications.

OUR SYSTEM: MANY SYSTEMS

Fact is, Digital is a multiple operating system company because that's what most of you are. In DEC OSF/1® we have the most standards-compliant, highest quality UNIX® in the industry. It gives you outstanding high availability features through clustering and the fastest recoverability of any UNIX on the market. And ours is the only commercial 64-bit UNIX system, which experts say will keep us the price/performance leader for years.

We offer OpenVMS™ because millions need it, as it provides the best clustering capabilities on the market for high-security, high-throughput, business-critical work. We plan to support it, invest in it, keep customers fully operational with it, and introduce it to new customers as well.

What's more, Digital has partnered with Microsoft® to bring you the Windows™ operating environment, Windows NT™ Workstation and Server.

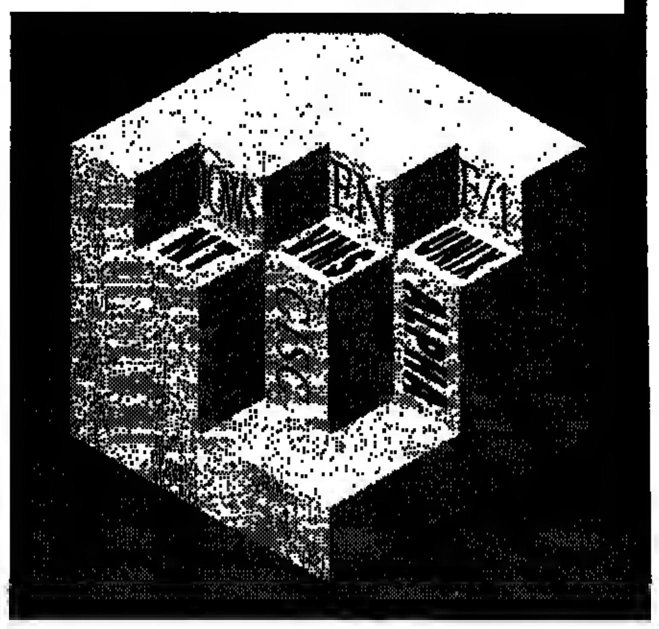
All these system options give you one very important thing. Choice without compromise.

OUR SOFTWARE: TRULY OPEN

Our openness even extends to software. One excellent example is our PATHWORKS™ application, which lets you connect with anybody on virtually any network operating system, no matter what client you're on. And our LinkWorks™ software lets you share and edit work regardless of application, on most any network operating system.

OUR STRATEGY: YOU CALL THE SHOTS

This multiple platform/multiple operating system strategy means we never have to force a migration on you. You choose what's best now and we support it. You decide when, where, or if you want to migrate and we provide what you need. Simple.



THE MOST ADVANCED TECHNOLOGY

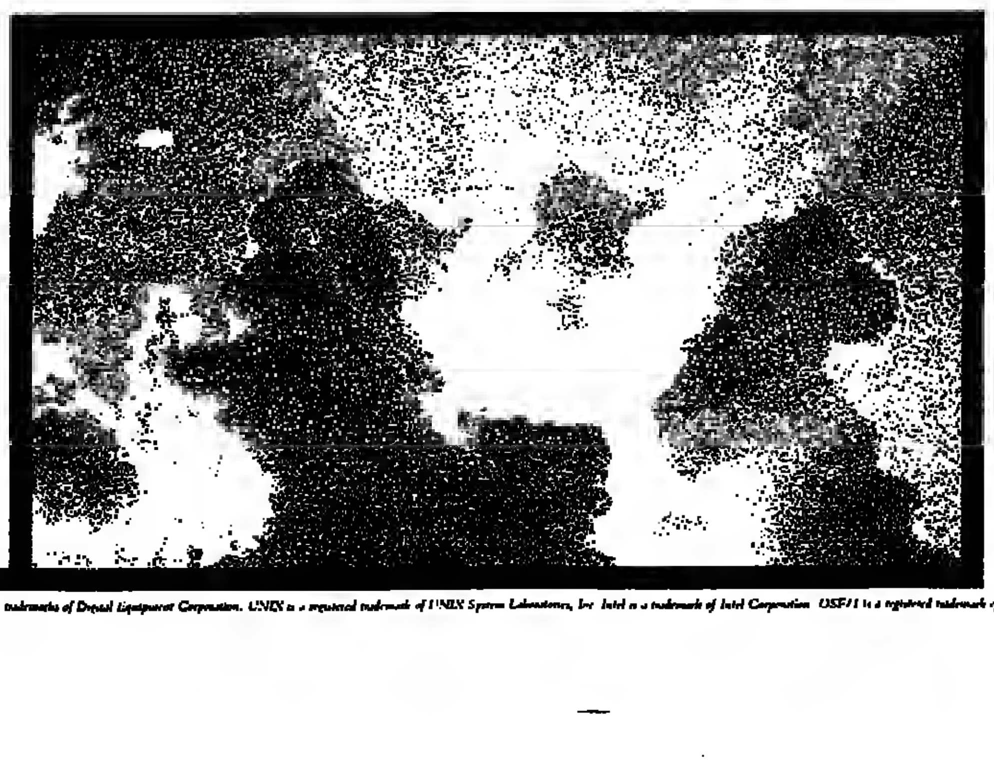
Nothing proves this better than our pioneering 64-bit RISC architecture. Where else in this industry are so many competitors so far behind a single leader? Right now, our Alpha AXP clients and servers offer the highest performance and the best price/performance you can buy.

THE EASIEST TO DO BUSINESS WITH

One thing that definitely isn't changing is our world-class service and support. To be even more responsive, we're dramatically expanding our relationships with resellers, VARs and System Integrators. Of course, if you need a direct relationship, we're here, with our partners, delivering the products. Our goal is to be the easiest company to do business with. With the products and support that will keep you competitive into the 21st century.

Just like us.

But don't worry, we're planning *a* comeback.



digital™

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Sep 30 / Sch)

BELGIUM/LUXEMBOURG (Sep 30 / Frs.)

DENMARK (Sep 30 / Kr)

FINLAND (Sep 30 / Mks)

FRANCE (Sep 30 / Frs)

GERMANY (Sep 30 / Dm.)

ITALY (Sep 30 / Lire)

NETHERLANDS (Sep 30 / Fls.)

NORWAY (Sep 30 / Kroner)

SPAIN (Sep 30 / Pts)

SWEDEN (Sep 30 / Kronor)

SWITZERLAND (Sep 30 / Frs.)

PACIFIC

JAPAN (Sep 30 / Yen)

HONG KONG (Sep 30 / H.K.$)

MALAYSIA (Sep 30 / MYR)

SINGAPORE (Sep 30 / S$)

AUSTRALIA (Sep 30 / Aus$)

NORTH AMERICA

CANADA

TORONTO (Sep 30 / Can $) 4 pm close

MONTREAL (Sep 30 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (Sep 30 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

FT FREE ANNUAL REPORTS SERVICE
You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT3186. Ring 081 770 0770 (open 24 hours including weekends) or fax 081 770 3822. If calling from outside the UK, dial +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent on the next working day, subject to availability.

■ TOKYO - MOST ACTIVE STOCKS: Friday, September 30, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	13.5m	390	-2	Itochu	2.5m	725	+2
NKK	11.3m	292		Oki Elec	2.3m	762	-14
Sumitomo Mtl Ind	5.5m	350		Kobe Steel	2.3m	331	+4
Kawasaki Steel	5.1m	448	+1	Suzuki Motor	2.1m	1200	+30
Mitsubishi Hvy	2.8m	770	-2	Marubeni	2.1m	548	-2

INDICES

US INDICES

Dow Jones	Sep 30	Sep 29	Sep 28	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3843.15	3854.83	3878.16	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	96.83	96.98	97.05	105.61 (21/1)	96.43 (13/9)	108.77 (15/10/93)	54.99 (1/10/81)
Transport	1491.59	1483.54	1502.86	1862.29 (2/2)	1483.54 (29/9)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	181.45	180.00	178.75	227.00 (3/1)	175.65 (20/9)	256.45 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's High 3881.30 (3892.64) Low 3825.69 (3834.78) (Theoretical♦)
Day's high 3873.45 (3878.16) Low 3836.51 (3847.90) (Actual♦)

Standard and Poors	Sep 30	Sep 29	Sep 28	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	462.71	462.24	464.84	482.00 (2/2)	435.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials¶	543.32	547.42	550.16	560.83 (15/9)	510.05 (21/4)	560.83 (15/9/94)	3.62 (21/6/32)
Financial	43.60	43.16†	43.51	46.94 (14/6)	41.39 (4/4)	48.40 (25/9/93)	8.64 (1/10/74)
NYSE Comp.	255.52	255.15	258.37	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	458.81	456.47	456.20	487.89 (2/2)	422.87 (25/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	764.42	759.34	760.02	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Sep 23	Sep 16	Sep 9	Year ago
Dow Jones Ind. Div. Yield	2.78	2.69	2.71	2.88
	Sep 28	Sep 21	Sep 14	Year ago
S & P Ind. Div. yield	2.39	2.41	2.37	2.51
S & P Ind. P/E ratio	20.78	20.84	20.91	27.52

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	463.95	463.25	-0.75	466.85	463.10	65,067	206,332
Mar	467.85	466.55	-0.80	470.05	466.40	1,059	7,398
Jun	-	470.35	-0.70	473.60	470.20	19	2,062

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Telefonos	3,719,300	62⅝	+⅛
USAir	5,706,900	4⅞	+⅛
EMC	2,637,400	30	+⅛
Philip Morris	3,513,400	61⅛	+1⅞
Gen Motors	3,205,600	45⅞	+⅛
Compaq	3,143,800	32⅝	+¼
Empresas	3,139,600	25¼	+⅝
RJR Nabisco	2,872,800	6⅝	-
Chrysler	2,731,200	44⅞	+¼
Nat Med	2,588,100	17⅛	+¼

■ TRADING ACTIVITY

● Volume (million)

	Sep 30	Sep 29	Sep 28
New York SE	291.902	302.110	329.648
Amex	30.459	24.643	21.433
NASDAQ	0.0	260.856	277.071
NYSE			
Issues Traded	2,856	2,854	2,860
Rises	1,286	863	1,397
Falls	847	1,269	795
Unchanged	723	722	668
New Highs	65	43	52
New Lows	73	94	74

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Sep	1877.0	1858.2	-17.8	1890.0	1858.0	25,330	16,071
Oct	1884.5	1880.0	-4.6	1898.8	1867.0	16,801	25,405
Dec	1899.8	1888.5	-4.5	1893.8	1878.8	121	378

· Open interest figures for previous day.

...values of all indices are 100 except: Australia All Ordinary ... Euro Top-100, ISEQ Overall; Toronto Comp./Metals & ... E All Common - 50 and Standard and Poor's - 10. §§ ... Sep 30 - 2002 30 -15.78

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on 071-873 4378.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

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OTHER UK UNIT TRUSTS

	Bid Pence	Offer Pence	Yield Gross	City-Line
Baillie Gifford & Co Ltd				
Int'l Expt Aug 31	756.7	784.6	0.96	40108
Baring Investment Mngmt Ltd				
155 Bishopsgate, London EC2M 3XY				
071-214 1050 (general enquiries) 071-214 1004 (dealing)				
Charitable Funds				
UK Growth & Income	[illegible]	[illegible]	[illegible]	44570
Income Plus	47.30	[illegible]	7.0	44571
CAF – Charity Money Management				
40 Pembury Rd, Tonbridge TN9 2JD 0732 770114				
Balanced Growth	70.89	[illegible]	4.25	47779
Income	58.06	[illegible]	6.32	47780
CIM Unit Trust Managers Ltd				
Co-op Bank Ethical Ex Sep 15	[illegible]	[illegible]	3.37	51684
Cent. Bd. of Fin. of Church of England‡				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Inv Fund Aug 31	688.90	692.30	4.38	40251
Fxd Int Sec Aug 31	148.55	148.85	8.74	40252
Deposit Fund: See Money Market Trust Funds.				
Chargguard UK Equity Fd/Fixed Int Fd				
10 Fenchurch St, London EC3M 3LB Freephone 0800 716833				
UK Equity Acc Aug 31	£10.08	10.17	3.30	–
UK Equity Inc Aug 31	£10.08	10.17	3.30	–
Fixed Int Acc Aug 31	[illegible]	9.97	8.06	–
Fixed Int Inc Aug 31	[illegible]	9.97	8.06	–
Charinco/Charishare‡ (1000)F				
33 King William Street, EC4R 9AS 071-280 2800				
Charinco Inc	180.5	182.4	7.38	40254
Charinco Acc	1101	1114	7.38	40255
Charishare Inc	204.4	208.4	3.03	40256
Charishare Acc	281.3	[illegible]	3.03	40257
COIF–Charities Official Inv Fd‡				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Income Aug 31	673.96	681.44	4.43	40258
Accum Aug 31	[illegible]	[illegible]	–	40259
Fixed Int Income Aug 31	120.75	121.01	9.59	43071
Fixed Int Accum Aug 31	181.60	181.92	–	43070

[illegible]

INSURANCES

	Bid Price	Offer Price	Yield Gross	City-Line
AEGON Life Assurance Co (UK) Ltd				
AEGON Hse, Lanark Sq, London E14 9QS 071-538 8900				
Life Series 2				
Aggressive Pfolio Fund	162.8	172.1	–	[illegible]
Balanced Pfolio Fund	446.5	[illegible]	–	[illegible]
Cautious Pfolio Fund	161.2	170.6	–	[illegible]
Gilt Fund	[illegible]	[illegible]	–	[illegible]
European Fund	164.7	174.3	–	[illegible]
Far East Fund	[illegible]	[illegible]	–	[illegible]
Fixed Interest Fund	[illegible]	321.1	–	[illegible]
International Fund	377.3	[illegible]	–	[illegible]
Money Fund	[illegible]	[illegible]	–	[illegible]
N. American Fund	[illegible]	[illegible]	–	[illegible]
Property Fund	[illegible]	[illegible]	–	[illegible]
UK Equity Fund	[illegible]	[illegible]	–	[illegible]
Swiss Select Inv	[illegible]	91.0	–	[illegible]
[illegible]	[illegible]	114.6	–	47164
Perpetual Mngd Assets Fd	117.5	124.4	–	47777
Perpetual Mngd Fd	207.7	219.8	–	47781
With Profits Fd	137.2	145.2	–	47823
Pension Series 5				
Aggressive Pfolio Fd	181.2	190.1	–	47824
Balanced Pfolio Fd	[illegible]	[illegible]	–	[illegible]
Cautious Pfolio Fd	[illegible]	[illegible]	–	[illegible]
Gilt Fund	[illegible]	125.5	–	[illegible]
European Fund	194.7	205.5	–	[illegible]
Far East Fund	[illegible]	[illegible]	–	[illegible]
Fixed Interest Fund	[illegible]	[illegible]	–	[illegible]
International Fd	[illegible]	161.7	–	[illegible]
Money Fund	[illegible]	[illegible]	–	47841
North American Fd	[illegible]	[illegible]	–	47842
Property Fund	123.7	130.8	–	47843
UK Equity Fd	[illegible]	147.7	–	47844
Perpetual Managed Acc Fd	[illegible]	94.0	–	47845
Perpetual Mgd Fd	162.0	171.5	–	47846
With Profits Fd	[illegible]	[illegible]	–	[illegible]
Bldg Soc Growth Fd	[illegible]	[illegible]	–	[illegible]
Albany Life Assurance Co Ltd				
3 Darkes Lane, Potters Bar EN6 1AJ 0707 [illegible]				
Life Funds				
Balanced Investment Acc	171.9	180.9	–	[illegible]
[illegible]	[illegible]	229.4	–	[illegible]
Equity Fd Accu	1467.1	1544.2	–	[illegible]
European Fd Accu	[illegible]	[illegible]	–	[illegible]
[illegible]	[illegible]	[illegible]	–	[illegible]

[illegible]

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Scottish Provident Group - Contd.

Pension Funds

	Bid Price	Offer Price	Yield Gross	City-Line
With-Profits Ord	218.3	227.7	-	44345
Managed Ord	326.4	342.6	-	43961
Blue Chip Ord	144.9	152.4	-	44440

Scottish Provident Assurance Ltd Funds (Formerly Provident Life & Pensions Ltd)

Swiss Life (UK) PLC

101 London Rd, Sevenoaks 0732 450161

Pioneer Funds

TSB Life Ltd

Charlton Pl, Andover, Hants. SP10 1RE 0264 346878

Eurolife Assurance Group

Eurolife Hse, 1&3 St John St., EC1M 4AY 071-454 1151

	Bid Price	Offer Price	Yield Gross	City-Line
Sterling Eurobond Fd	218.0		-	44831
Intl Eurobond Fd	224.3		-	44832
Discretionary Fund	142.9		-	44833

Finexco International Ltd

PO Box 193, St Peter Port, Guernsey 0481 713100

	Bid Price	Offer Price	Yield Gross	City-Line
Intl $ Strategy Fd	$1.820	1.826	-	44867

Administered by Providence Capital Intl.

Friends Provident International

Knight Williams & Company Ltd

101 New Bond Street, London W1Y 0LA

Prudential Fund Managers (Guernsey) Ltd

PO Box 31, St Peter Port Guernsey

Rothschild Asset Management (CI) Ltd

PO Box 242, St Peter Port, Guernsey

GT Asset Management (Ireland) Ltd

Paine Webber Offshore Funds Plc (u)

HM Samuel Fund Mgrs (Jsy) Ltd (1000)F

Lloyds Bank (CI) U/T Mgrs.

Midland Bank Fund Managers (Jersey) Ltd

Prudential Fund Managers (Jersey) Ltd

Royal Bank of Canada (Jsy) Fd Mgt Ltd

Standard Bank Fund Mngrs (Jersey) Ltd

TSB Trust Funds (CI)

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Albany International Assurance Ltd

CMI Insurance Co Ltd

Zurich Life Assurance Co Ltd

Sun Life Unit Assurance Ltd

Sun Alliance Group

Standard Life Assurance Company

Skandia Life Assurance Co Ltd (z)

Scottish Widows' Group

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Jupiter Tyndall (Bermuda) Ltd

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Barclays Intl Funds

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds

MANAGEMENT SERVICES

Capital Trust Financial Management

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LUXEMBOURG (REGULATED)(**)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Sep 30		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.2185	+0.0122	091 - 279	17.2285	17.1818	17.2142	0.3	17.2023	0.4	-	-	114.8
Belgium	(BFr)	50.3379	+0.0874	904 - 854	50.3890	50.2180	50.3579	-0.5	50.2729	0.5	49.9429	0.8	116.5
Denmark	(DKr)	9.5978	+0.0036	932 - 024	9.6025	9.5830	9.6028	-0.6	9.6142	-0.7	9.6289	-0.3	116.6
Finland	(FM)	7.6888	-0.0342	585 - 791	7.7230	7.6420	-	-	-	-	-	-	88.5
France	(FFr)	8.3491	+0.0078	444 - 537	8.3545	8.3255	8.3501	-0.1	8.3452	0.2	8.2774	0.9	110.3
Germany	(DM)	2.4468	+0.0025	452 - 483	2.4498	2.4413	2.446	0.4	2.4428	0.6	2.4101	1.5	125.7
Greece	(Dr)	373.118	+0.647	685 - 552	372.885	371.825	-	-	-	-	-	-	-
Ireland	(I£)	1.0122	+0.0006	114 - 130	1.0138	1.0096	1.0121	0.1	1.0123	-0.1	1.0145	-0.2	105.2
Italy	(L)	2460.12	+3.18	855 - 169	2462.79	2454.14	2468.22	-3.0	2477.27	-2.8	2519.22	-2.4	75.5
Luxembourg	(LFr)	50.3379	+0.0874	904 - 854	50.3890	50.2189	50.3579	-0.5	50.2729	0.5	49.9429	0.8	116.5
Netherlands	(Fl)	2.7405	+0.002	392 - 417	2.7452	2.7356	2.7388	0.3	2.7363	0.8	2.7009	1.4	120.5
Norway	(NKr)	10.7045	+0.0046	995 - 095	10.7121	10.6865	10.704	0.1	10.7075	-0.1	10.7085	0.0	85.8
Portugal	(Es)	249.482	+0.229	245 - 718	250.902	248.992	251.212	-8.3	254.392	-7.9	-	-	-
Spain	(Pta)	202.763	+0.243	580 - 945	202.963	202.415	203.183	-2.5	203.863	-2.2	206.268	-1.7	85.7
Sweden	(SKr)	11.7961	-0.0304	845 - 077	11.8670	11.7787	11.8151	-1.6	11.8626	-2.3	12.0761	-2.4	75.1
Switzerland	(SFr)	2.0309	+0.003	294 - 323	2.0324	2.0281	2.0284	1.5	2.0226	1.6	1.982	2.4	122.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.9
Ecu	-	1.2798	+0.0008	791 - 804	1.2808	1.2773	1.2801	-0.3	1.2802	-0.1	1.2747	0.4	-
SDR†	-	0.930532	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5771	-0.0035	765 - 777	1.5812	1.5759	-	-	-	-	-	-	-
Brazil	(R)	1.3468	-0.0128	448 - 488	1.3508	1.3429	-	-	-	-	-	-	-
Canada	(C$)	2.1153	-0.0076	142 - 164	2.1255	2.1137	2.1147	0.3	2.1127	0.5	2.1027	0.8	88.2
Mexico	(New Peso)	5.3526	-0.015	569 - 682	5.3715	5.3538	-	-	-	-	-	-	-
USA	($)	1.5770	-0.004	765 - 775	1.5817	1.5762	1.5768	0.3	1.5756	0.4	1.5612	1.0	62.1
Pacific/Middle East/Africa													
Australia	(A$)	2.1311	-0.0044	298 - 323	2.1395	2.1283	2.131	0.0	2.1324	-0.2	2.1506	-0.9	-
Hong Kong	(HK$)	12.1858	-0.0305	811 - 904	12.2215	12.1809	12.1819	0.4	12.1808	0.2	12.1879	0.0	-
India	(Rs)	49.4587	-0.1239	351 - 822	49.6020	49.4350	-	-	-	-	-	-	-
Japan	(Y)	156.076	+0.344	947 - 204	156.207	155.310	155.676	3.1	154.701	3.5	149.256	4.4	188.9
Malaysia	(M$)	4.0438	-0.012	417 - 458	4.0539	4.0414	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6187	-0.0012	157 - 217	2.6226	2.6147	2.6228	-1.8	2.6304	-1.8	2.6626	-1.3	-
Philippines	(Peso)	41.1597	-0.0241	678 - 616	41.2710	41.0565	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9153	-0.016	130 - 175	5.9326	5.9128	-	-	-	-	-	-	-
Singapore	(S$)	2.3379	-0.0106	364 - 394	2.3460	2.3362	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.6244	-0.0153	202 - 285	5.6554	5.6201	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.7338	+0.0622	159 - 517	6.7852	6.6634	-	-	-	-	-	-	-
South Korea	(Won)	1258.55	-2.37	884 - 026	1262.99	1258.23	-	-	-	-	-	-	-
Taiwan	(T$)	41.2386	-0.1297	467 - 305	41.3472	41.1399	-	-	-	-	-	-	-
Thailand	(Bt)	39.3856	-0.0987	652 - 060	39.5080	39.3650	-	-	-	-	-	-	-

†SDR rates for Sep 29. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 30		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.9185	+0.035	160 - 210	10.9210	10.8860	10.9185	0.0	10.9183	0.0	10.8435	0.7	104.1
Belgium	(BFr)	31.9200	+0.135	000 - 400	31.9400	31.8040	31.92	0.0	31.93	-0.1	31.99	-0.2	105.7
Denmark	(DKr)	6.0861	+0.0175	851 - 871	6.0871	6.0675	6.0908	-0.9	6.1021	-1.1	6.1673	-1.3	105.1
Finland	(FM)	4.8629	-0.0095	579 - 679	4.8859	4.8375	4.8629	0.0	4.8619	0.1	4.8954	-0.7	80.5
France	(FFr)	5.2943	+0.019	930 - 955	5.2955	5.2795	5.2963	-0.4	5.2967	-0.2	5.3019	-0.1	108.5
Germany	(D)	1.5515	+0.0054	510 - 520	1.5520	1.5465	1.5516	-0.1	1.5505	0.3	1.5437	0.5	106.6
Greece	(Dr)	236.600	+1	400 - 800	236.800	235.800	238.9	-1.5	237.475	-1.5	239.975	-1.4	68.8
Ireland	(I£)	1.5580	-0.0049	572 - 587	1.5635	1.5572	1.5577	0.2	1.5565	0.4	1.5378	1.3	-
Italy	(L)	1560.00	+5.9	950 - 050	1560.50	1554.30	1564.25	-3.3	1572.3	-3.2	1613.5	-3.4	76.0
Luxembourg	(LFr)	31.9200	+0.135	000 - 400	31.9400	31.8040	31.92	0.0	31.93	-0.1	31.99	-0.2	104.1
Netherlands	(Fl)	1.7378	+0.0056	375 - 380	1.7397	1.7325	1.7378	0.0	1.7367	0.2	1.73	0.4	105.6
Norway	(NKr)	6.7879	+0.0199	869 - 889	6.7899	6.7700	6.7929	-0.9	6.8134	-1.5	6.8819	-1.4	96.1
Portugal	(Es)	158.200	+0.54	100 - 300	158.350	157.690	158.845	-4.9	160.07	-4.7	164.8	-4.2	95.0
Spain	(Pta)	128.575	+0.475	500 - 650	128.850	128.190	128.88	-2.8	129.39	-2.5	132.125	-2.8	80.9
Sweden	(SKr)	7.4801	-0.0005	751 - 851	7.5055	7.4549	7.4953	-2.4	7.5271	-2.5	7.7101	-3.1	80.2
Switzerland	(SFr)	1.2878	+0.0051	873 - 883	1.2883	1.2845	1.2866	1.2	1.2837	1.3	1.2696	1.4	108.1
UK	(£)	1.5770	-0.004	765 - 775	1.5817	1.5762	1.5766	0.3	1.5756	0.4	1.5612	1.0	88.2
Ecu	-	1.2323	-0.0037	320 - 325	1.2360	1.2320	1.2317	0.6	1.2308	0.5	1.2249	0.6	-
SDR†	-	1.48624	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0001	+0.0003	000 - 001	1.0001	0.9997	-	-	-	-	-	-	-
Brazil	(R)	0.8540	-0.006	530 - 550	0.8550	0.8510	-	-	-	-	-	-	-
Canada	(C$)	1.3414	-0.0014	411 - 418	1.3450	1.3411	1.3415	0.0	1.3409	0.1	1.3469	-0.4	84.6
Mexico	(New Peso)	3.4005	-0.001	980 - 030	3.4030	3.3960	3.4015	-0.4	3.4033	-0.3	3.4107	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	95.4
Pacific/Middle East/Africa													
Australia	(A$)	1.3514	+0.0006	510 - 517	1.3546	1.3489	1.3517	-0.2	1.3524	-0.3	1.3597	-0.6	86.6
Hong Kong	(HK$)	7.7272	-	267 - 277	7.7277	7.7267	7.727	0.0	7.7277	0.0	7.7427	-0.2	-
India	(Rs)	31.3625	-	575 - 675	31.3875	31.3575	31.4475	-3.3	31.5925	-2.9	-	-	-
Japan	(Y)	98.9700	+0.465	200 - 200	99.0200	98.4000	98.74	2.8	98.19	3.2	95.605	3.4	149.6
Malaysia	(M$)	2.5842	-0.0012	637 - 847	2.5880	2.5820	2.555	4.3	2.5437	3.2	2.6172	-2.1	-
New Zealand	(NZ$)	1.6606	+0.0034	592 - 620	1.6620	1.6567	1.6615	-0.7	1.6634	-0.7	1.6687	-0.5	-
Philippines	(Peso)	26.1000	+0.05	500 - 500	26.1500	25.9500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7510	-0.0001	507 - 612	3.7516	3.7505	3.7523	-0.4	3.7564	-0.6	3.775	-0.6	-
Singapore	(S$)	1.4825	-0.003	820 - 830	1.4855	1.4820	1.4812	1.1	1.4793	0.9	1.4725	0.7	-
S Africa (Com.)	(R)	3.5685	-0.0008	650 - 680	3.5765	3.5650	3.582	-5.2	3.6103	-4.6	3.687	-3.4	-
S Africa (Fin.)	(R)	4.2700	+0.05	600 - 800	4.2950	4.2250	4.3037	-9.5	4.3625	-8.7	-	-	-
South Korea	(Won)	798.700	+0.5	500 - 900	798.900	798.000	801.7	-4.5	805.2	-3.3	823.7	-3.1	-
Taiwan	(T$)	26.1500	-0.0168	000 - 000	26.2000	26.1000	26.17	-0.9	26.21	-0.9	-	-	-
Thailand	(Bt)	24.9750	-	700 - 800	24.9830	24.9600	25.0475	-3.5	25.175	-3.2	25.655	-2.7	-

†SDR rate for Sep 29. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 29. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 30		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.07	16.59	4.860	2.011	4888	5.444	21.26	495.5	402.7	23.43	4.033	1.987	4.202	3.133	310.0	2.541
Denmark	(DKr)	52.44	10	8.700	2.548	1.054	2563	2.855	11.16	259.8	211.2	12.29	2.115	1.042	2.204	1.643	162.6	1.333
France	(FFr)	60.28	11.49	10	2.930	1.212	2946	3.282	12.82	298.7	242.8	14.12	2.431	1.198	2.533	1.889	186.8	1.532
Germany	(DM)	20.58	3.924	3.413	1	0.414	1006	1.120	4.374	102.0	82.87	4.820	0.830	0.409	0.865	0.645	63.78	0.523
Ireland	(I£)	49.73	8.483	8.250	2.417	1	2431	2.708	10.57	246.4	200.3	11.65	2.006	0.988	2.090	1.558	154.2	1.264
Italy	(L)	2.046	0.390	0.339	0.099	0.041	100.	0.111	0.435	10.14	8.240	0.479	0.083	0.041	0.086	0.064	6.341	0.052
Netherlands	(Fl)	18.37	3.503	3.047	0.893	0.369	897.8	1	3.905	91.02	73.98	4.303	0.741	0.365	0.772	0.576	56.93	0.467
Norway	(NKr)	47.04	8.969	7.803	2.286	0.946	2299	2.561	10	233.1	189.4	11.02	1.897	0.935	1.977	1.474	145.8	1.195
Portugal	(Es)	20.18	3.848	3.348	0.981	0.406	986.4	1.099	4.290	100.	81.28	4.727	0.814	0.401	0.848	0.632	62.55	0.513
Spain	(Pta)	24.83	4.735	4.118	1.207	0.499	1214	1.352	5.279	123.0	100.	5.818	1.001	0.493	1.043	0.778	76.96	0.631
Sweden	(SKr)	42.69	8.140	7.081	2.075	0.858	2087	2.324	9.075	211.5	171.8	10	1.722	0.848	1.794	1.338	132.3	1.085
Switzerland	(SFr)	24.79	4.728	4.113	1.205	0.499	1212	1.350	5.271	122.9	99.85	5.808	1	0.493	1.042	0.777	76.85	0.630
UK	(£)	50.33	9.597	8.349	2.446	1.012	2460	2.740	10.70	249.4	202.7	11.79	2.030	1	2.115	1.577	156.0	1.279
Canada	(C$)	23.80	4.538	6.948	1.157	0.478	1163	1.296	5.059	117.8	95.84	5.574	0.960	0.473	1	0.746	73.79	0.605
US	($)	31.92	6.086	5.294	1.551	0.642	1560	1.737	6.785	158.1	128.5	7.476	1.287	0.634	1.341	1	98.92	0.811
Japan	(Y)	32.26	6.152	5.352	1.568	0.649	1577	1.756	6.859	159.9	129.9	7.558	1.301	0.641	1.356	1.011	100.	0.820
Ecu		39.35	7.504	6.528	1.912	0.791	1923	2.142	8.366	195.0	158.5	9.218	1.587	0.782	1.654	1.233	122.0	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.6460	0.6451	-0.0018	0.6470	0.6428	26,251	71,348
Mar	0.6474	0.6459	-0.0017	0.6474	0.6440	534	3,854
Jun	-	0.6469	-0.0017	-	-	100	574

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.7802	0.7783	-0.0023	0.7809	0.7755	11,363	34,629
Mar	-	0.7810	-0.0024	0.7825	0.7794	26	667
Jun	-	0.7840	-0.0023	-	0.7840	10	67

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	1.0204	1.0148	-0.0056	1.0227	1.0120	13,834	44,745
Mar	1.0308	1.0230	-0.0055	1.0308	1.0210	82	2,729
Jun	-	1.0329	-0.0054	-	-	5	447

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	1.5770	1.5746	-0.0028	1.5790	1.5706	6,264	32,674
Mar	1.5740	1.5720	-0.0026	1.5760	1.5690	9	271
Jun	-	1.5698	-0.0022	1.5700	1.5630	1	9

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Oct	Nov	Dec	PUTS Oct	Nov	Dec
1.500	7.37	7.35	7.54	-	0.05	0.32
1.525	4.91	5.08	5.48	0.05	0.23	0.73
1.550	2.62	3.12	3.71	0.19	0.74	1.43
1.575	0.96	1.86	2.35	0.95	1.72	2.49
1.600	0.20	0.74	1.37	2.85	3.23	3.93
1.625	-	0.26	0.73	4.95	5.24	6.78

Previous day's vol., Calls 4,203 Puts 12,402. Prev. day's open int., Calls 461,372 Puts 363,441

UK INTEREST RATES

LONDON MONEY RATES

Sep 30	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 - 4⅝	5⅞ - 6	5 7/16 - 5 5/16	5 15/32 - 5 13/32	6 3/16 - 6 7/16	7½ - 7⅜
Sterling CDs	-	-	5 11/32 - 5 9/32	5 13/16 - 5 25/32	6 7/16 - 6⅜	7 3/16 - 7 3/16
Treasury Bills	-	-	5 7/32 - 5 5/32	5 11/16 - 5⅝	-	-
Bank Bills	-	-	5 7/32 - 5 5/32	5⅝ - 5 19/32	6¼ - 6⅛	-
Local authority deps.	4 15/16 - 4 13/16	5 3/16 - 5 1/16	5 7/16 - 5 5/16	5 21/32 - 5 19/32	6 5/16 - 6 7/16	7 3/16 - 7 7/16
Discount Market deps	5¾ - 4¾	6¼ - 5	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from September 12, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 5.4710pc. ECGD fixed rate Stg. Export Finance. Make up day Sep 30, 1994. Agreed rate for period Oct 26, 1994 to Nov 25, 1994, Schemes II & III 7.05pc. Reference rate for period Sep 1, 1994 to Sep 30, 1994, Schemes IV & V 5.735pc. Finance House Base Rate 6pc from Oct 1, 1994

BANK OF ENGLAND TREASURY BILL TENDER

	Sep 30	Sep 23
Bills on offer	£500m	£500m
Total of applications	£1740m	£1492m
Total allocated	£500m	£500m
Min. accepted bid	£98.630	£98.625
Allotment at min. level	100%	85%

	Sep 30	Sep 23
Top accepted rate	5.4951%	5.5151%
Ave. rate of discount	5.4710%	5.5070%
Average yield	5.5467%	5.5837%
Offer at next tender	£500m	£500m
Min. accept. bid 182 days	-	-

FT GUIDE to WORLD CURRENCIES
The FT Guide to World Currencies table can be found on the Emerging Markets page in today's edition.

■ Pound in New York

Sep 30	Close	Prev. close
£ spot	1.5782	1.5780
1 mth	1.5757	1.5775
3 mth	1.5747	1.5765
1 yr	1.5602	1.5617

FIXED INTEREST RATES

MONEY RATES

September 30	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	4¾	4⅞	5¼	5⅝	6⅛	7.40	4.50	-
week ago	4¾	4⅞	5¼	5¾	6⅛	7.40	4.50	-
France	5⅛	5 7/16	5½	5¾	6 5/16	5.00	-	6.75
week ago	5¼	5 7/16	5½	5⅝	6 5/16	5.00	-	6.75
Germany	4.16	4.95	5.18	5.23	5.63	6.00	4.50	4.85
week ago	4.52	4.95	5.05	5.23	5.63	6.00	4.50	4.85
Ireland	4¾	5½	6⅛	6⅛	7¾	-	-	6.25
week ago	4 7/16	5½	6⅛	6⅛	7½	-	-	6.25
Italy	8 7/16	8¼	8⅝	9	8⅞	-	7.50	8.20
week ago	8 7/16	8¼	8⅝	9¼	10⅛	-	7.50	8.25
Netherlands	4.84	5.00	5.22	5.35	5.75	-	5.25	-
week ago	4.84	5.00	5.12	5.35	5.74	-	5.25	-
Switzerland	3⅞	3⅞	4¼	4⅜	4¾	6.625	3.50	-
week ago	3⅞	3⅞	4⅛	4⅜	4⅞	6.625	3.50	-
US	4¾	4⅞	5 7/16	5 9/16	6⅛	-	4.00	-
week ago	4⅞	4⅞	5⅛	5⅝	6⅛	-	4.00	-
Japan	2⅛	2⅜	2¼	2 5/16	2⅝	-	1.75	-
week ago	2⅛	2⅜	2¼	2⅛	2⅝	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	5	5½	5¾	5½	-	-	-
week ago	-	5	5½	6⅛	6⅛	-	-	-
US Dollar CDs	-	4.82	5.22	5.38	6.05	-	-	-
week ago	-	4.82	5.02	5.33	5.91	-	-	-
SDR Linked Ds	-	3⅝	3⅞	3¾	4	-	-	-
week ago	-	3⅝	3⅞	3¾	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5½; 3 mths: 5⅞; 6 mths: 6⅛; 1 year: 6¾. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Sep 30	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.08	94.05	-0.03	94.08	94.04	183,192	522,445
Mar	93.67	93.67	-0.01	93.70	93.64	153,743	421,686
Jun	93.27	93.27	-0.01	93.30	93.24	82,854	295,207

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.62	94.63	-	94.63	94.60	3,010	18,464
Mar	-	94.20	-	94.22	94.18	713	9,237
Jun	-	93.83	-0.01	93.83	93.81	25	2,354

All Open interest figs. are for previous day

UK GILTS PRICES

[illegible]

"Tap" stock. ☆ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds. Weekly percentage changes are calculated on a Friday to Friday basis.

STOCK INDICES

[illegible]

BANK RETURN

BANKING DEPARTMENT	Wednesday September 28, 1994	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	1,123,711,607	+41,106,005
Bankers deposits	1,843,938,523	+181,436,403
Reserve and other accounts	3,105,665,711	-98,595,905
	6,089,158,901	+123,948,503
Assets		
Government securities	1,200,086,017	-80,710,000
Advances and other accounts	3,197,836,560	-154,109,818
Premises, equipment and other secs	1,678,434,062	+358,010,542
Notes	5,712,665	+763,841
Coin	137,297	-362
	6,089,158,901	+123,948,503
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	18,184,287,935	+29,236,159
Notes in Banking Department	5,712,065	+763,841
	18,190,000,000	+30,000,000
Assets		
Other Government securities	15,574,839,221	+479,705,131
Other Securities	2,616,160,709	-449,785,131
	18,190,000,000	+30,000,000

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	26.4	66	61	Emerging Mkts C	66	+4	-	-	-	-
65	F.P.	12.4	66	65	Ennemix	66		RN0.71	6.3	1.3	8.5
112	F.P.	21.4	120	118	Independent Parts	120		LN4.0	2.1	4.2	14.5
180	F.P.	17.6	185	180	Meckle Intl	168		RN6.0	2.2	4.1	7.5
80	F.P.	24.1	85	76	Ryland	85		LN3.5	1.7	5.1	14.0
-	F.P.	3.85	44	27	Suter Wrts 98/04	33		-	-	-	-
-	F.P.	114.7	379	371	Templeton E New	371	-1	-	-	-	-
-	F.P.	12.4	212	192	Do. Wrts. 2004	201	-2	-	-	-	-
-	F.P.	208.2	360	360	Wrexham Water	360		-	-	-	-
-	F.P.	33.7	330	330	Do. NV	330		-	-	-	-

BASE LENDING RATES

Adam & Company 5.75 · Allied Trust Bank 5.75 · AIB Bank 5.75 · •Henry Ansbacher 5.75 · Bank of Baroda 5.75 · Banco Bilbao Vizcaya 5.75 · Bank of Cyprus 5.75 · Bank of Ireland 5.75 · Bank of India 5.75 · Bank of Scotland 5.75 · Barclays Bank 5.75 · Brit Bk of Mid East 5.75 · •Brown Shipley & Co Ltd 5.75 · CL Bank Nederland 5.75 · Citibank NA 5.75 · Clydesdale Bank 5.75 · The Co-operative Bank 5.75 · Coutts & Co 5.75 · Credit Lyonnais 5.75 · Cyprus Popular Bank 5.75 · Duncan Lawrie 5.75 · Exeter Bank Limited 6.75 · Financial & Gen Bank 6.75 · •Robert Fleming & Co 5.75 · Girobank 5.75 · •Guinness Mahon 5.75 · Habib Bank AG Zurich 5.75 · •Hambros Bank 5.75 · Heritable & Gen Inv Bk 5.75 · •Hill Samuel 5.75 · C. Hoare & Co 5.75 · Hongkong & Shanghai 5.75 · Julian Hodge Bank 5.75 · •Leopold Joseph & Sons 5.75 · Lloyds Bank 5.75 · Meghraj Bank Ltd 5.75 · Midland Bank 5.75 · * Mount Banking 6 · NatWestminster 5.75 · •Rea Brothers 5.75 · * Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution 8 · Royal Bk of Scotland 5.75 · •Smith & Williamson Secs 5.75 · TSB 5.75 · •United Bk of Kuwait 5.75 · Unity Trust Bank Plc 5.75 · Western Trust 5.75 · Whiteaway Laidlaw 5.75 · Yorkshire Bank 5.75

• Members of London Investment Banking Association
* In administration

FT GOLD MINES INDEX

[illegible]

MONTHLY AVERAGES OF STOCK INDICES

	September	August	July	June
FT-SE Actuaries Indices				
100 Index	3098.3	3178.5	3036.6	2960.8
Mid 250	3643.9	3736.8	3537.1	3508.8
350 Share	1564.2	1604.5	1529.6	1505.0
Non-Financial	1680.38	1726.77	1642.28	1618.42
Financial Group	2181.71	2197.58	2129.92	2111.15
All-Share	1553.97	1591.47	1517.70	1497.44
Eurotrack 100	1358.50	1379.19	1347.82	1363.71
Eurotrack 200	1405.56	1430.90	1385.41	1380.09
FT-A World Index	177.99	178.75	183.94	173.49
FT Indices				
Government Securities	90.68	91.86	92.87	92.08
Fixed Interest	107.72	110.02	110.84	109.28
Ordinary	2404.6	2485.9	2370.7	2343.3
Gold Mines	2230.08	1983.17	1931.55	1944.97
SEAQ Bargains(5.00pm)	25,608	29,402	23,977	23,618

	Highest Close Sept	Lowest Close Sept
FT-SE 100	3241.5 (5th)	2992.5 (29th)
FT-SE Mid 250	3794.4 (1st)	3494.8 (30th)
FT-SE 350	1634.1 (5th)	1509.2 (29th)
FT-A All Share	1620.76 (5th)	1500.09 (29th)
Ordinary	2512.2 (5th)	2323.8 (29th)

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

LONDON SHARE SERVICE

BANKS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
ABN Amro Fl		£21⅛	-1.2	Q61%	ɸ	Sep May	9'93	–
ANZ A$		158	1.6	Q20c	0.7	Jan Jul	8.12	–
Abbey National	†N□	398xd	-3	15.5	2.1	May Oct	15.8	5411
Allied Irish IE	♣†N□	237xd	-1.7	Q9½%	2.7	Oct May	16.8	1364
Anglo Irish IE	MN□	55	-3.5	Q7.8%	1.7	Jan Jul	8.8	1365
Asahi Y		724	4.4	Q14%	ɸ	Jan Dec	12'92	3048
Banco Bilbao Viz Pta		£15⅞	-1.4	Q27.2%	2.7	JyOcJaAp	7'93	–
Banco Sant Pta		£28¼	6.6	Q39%	2.0	MyAuDeJa	1.8	–
Bk Ireland IE	♣□	258	-3.8	Q11.3%	3.2	Jul Dec	16.5	1360
Bank Scotland	♣N□	207½	1.8	5.06	2.4	Dec Jul	16.5	1742
8¼pc Pf		112	0.4	9¼%	–	May Nov	29.4	1482
8¾pc Pf		117¼	0.4	9¾%	–	May Nov	25.4	1485
Barclays	♣†N□	570½xd	2.1	16.65	3.1	Oct May	18.8	1754
Dai Ichi Kan Y		311	2.1	278%	1.2	Jan Dec	9'93	–
Deutsche DM		£274	-5.4	Q33%	–	May	6'93	–
Espirito Santo		£65	-9.7	Q80c	5.2	Jan	6'93	5187
First Nat Fin	N□	70	-5.4	1.5	–	Mar Aug	18.7	2571
8.3pc Cv Pf		76	—	8.3%	–	Jul Jan	6.6	2570
7pc Cv Pf		133	-.7	7.9	–	Jul Jan	5.8	1488
Fuji Bank Y		1332	-1.5	277%	ɸ	Dec Jun	7'93	–
HSBC HK	†N□	704½xd	-2.6	24.5	2.4	Nov Jun	6.5	2766
HSBC (75p Shs)	†N□	682½xd	-2.9	24.6	2.4	Nov Jun	5.8	2778
Lloyds	†N□	548½xd	1.6	23.0	2.1	Oct May	8.8	3171
Mitsubishi Y		£16¾	-1.3	Q17%	ɸ	Jan Dec	12'92	–
Mits Tst & Bk Y		854¼	-1.3	Q18%	12.4	Jan Dec	12'92	–
Mitsui Tst & Bk Y		704¼	1.6	277%	8.5	Jan Dec	12'92	–
Nat Aust A$	†	488	1.5	Q58c	1.7	Jul Jan	21.6	–
NatWest	†N□	487½xd	2.2	18.4	2.4	Oct May	6.5	3483
Ottomane FFr		£22¼	2.3	Q129%	ɸ	May	25.5	–
Ryl Bk Scotland	♣†N□	410	6.5	16.5	1.9	Feb Jul	18.8	3874
Sakura Y		885¼	-3.0	Q17%	6.0	Dec Jan	12'92	–
Sanwa Y		£12¼	9.9	278%	9.9	Jan Dec	12'92	–
[illegible]								

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD MANUFACTURERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

Approved by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£29¼	—	0375c	1.0	Oct Apr	3'93	–
Barlow	Z	543½	6.4	018c	–	Jul	20.6	–
Gold Flds Prop R		118xm	—	062c	ϕ	Feb Sep	31.1	–
NK Props	z	85	—	057.1c	ϕ	Feb Sep	19.10	–
SASOL	♥	496	—	078c	–	Oct	9'93	3918
SA Brews		511½	—	0155c	2.2	Dec Jun	30.5	–
Tiger Oats	†	513	—	085c	2.9	Jul Feb	8.9	–
Tongaat-Hulett	h	802	—	070.8c	2.4	Feb Aug	4.1	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas Incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✝ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) UK & Irish Incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ◆ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1993. $ Dividend based on prospectus or other official estimates for 1994. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Figures based on IIMR "Headline Earnings". P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Beacon, Do Wrts (Inv Tsts). Deletions: Amco (Bldg & Cnstn), Lec Refridgeration (Elec & Elec Eqpt), Templeton Emg Wrts (Inv Tsts), INVESCO 9% Cnv 95-2000 (Other Finl), Cons Plantations (Other Svs & Bus).

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT1303. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

FT Cityline

For up-to-the-second share prices call FT Cityline on 0336 43 or 0891 43 followed by the four-digit code listed after the share price. Calls charged at 39p per minute cheap rate and 49p per minute at all other times.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

4 pm close September 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17⅞	12¼	AAR	0.48	3.7	21	62	13¼	13	13	+⅛
18⅞	12⅝	A L Labs A	0.18	1.1	39	600	u17¾	16⅞	17	+⅞
70¼	57⅞	AMP	1.60	2.2	57	1696	u78¾	77¾	77⅞	+¾
72¾	50¾	AMR			60	3301	51¾	51	51½	+¾
5	3⅞	ARX			13	322	4	3⅞	4	+⅛
55⅛	38⅝	ASA	2.00	3.8	34	450	52⅝	52¼	52⅝	+⅛
21⅞	25⅞	AbbotL	0.76	2.4	18	7307	u31⅞	21⅛	21⅞	+¾
15¾	11⅞	Abitibi Pr	0.50	3.3	11	31	15⅛	15	15⅛	+⅛
23⅝	17¾	ABM Ind	0.52	2.5		6	21	21	21	+¾
15⅛	11⅛	Acpincetn			27	107	14⅞	14¾	14⅞	+⅛
31	22⅞	ACE Ltd x	0.44	1.8	20	229	24⅞	28¾	24	-⅜
12½	9⅝	ACM Gvt In	1.09	11.2		846	6⅞	6¾	6¾	-⅛
10⅛	7⅛	ACM GvOpp	0.80	11.2		178	7¼	67⅛	7⅛	
10⅝	7½	ACM Gvt Sp	0.86	12.8		250	7⅝	d7½	7½	
12	8⅜	ACM Gvt Se	1.06	12.5		691	8¾	8⅝	8¾	+⅛
11¾	8¼	ACM Man	1.60	12.9		266	8½	d8¼	8⅜	
9¼	8	ACM Managd	8.72	8.7		278	8¼	8¾	0¼	
18½	8¾	AcmeCiv	9.44	3.1	17	191	14	13½	14	+½
9⅞	6½	Acme Elect			0	164	8⅞	8	8⅞	+½
26¾	23	Acordia	0.60	2.2	15	13	57¼	27⅛	27¼	+⅛
13¾	5¾	Actava	0.36	3.6	2	55	10¾	10	10⅛	
18½	11¾	Acuson			123	685	18⅜	18⅛	18¼	
18⅞	10½	Adams Expr	0.46	2.8	9	112	17⅛	17	17⅛	+⅛
64	46½	Ad Micro	3.00	5.0		10	60½	58¾	59¾	-⅛
21¾	18¾	AdvMic	3.00	10.1	12	6008	29⅞	29⅝	29¾	+⅛
8⅞	5	Advest Grp	6.10	3.1	8	31	5⅛	5⅛	5⅛	
20	18	Advo Inc x	0.18	0.0	113	9	17¼	17	17	-⅛
59½	49⅞	Aegon ADR	1.47	2.5	12	216	58⅛	57⅝	55	-⅜
[illegible]										

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
48⅛	39¾	BankBk	1.64	3.7	10	1956	44⅞	43⅞	44¾	+⅛
13	8⅞	BattMt	9.60	8.4	125	2365	u13	12¾	12⅛	-⅛
53⅞	34¼	Bausch	0.98	2.5	18	1207	39¼	38⅞	39	
28¾	21⅝	Baxter	1.05	3.7	42	5302	28¼	27¾	28⅛	
28⅜	28¾	Bay St Gas	1.46	8.0	15	62	25	24⅞	28	+⅛
20½	16⅛	Bd Tr 1836	1.12	0.5		18	20¼	20¼	20¼	
22½	15⅝	Bear Stns	0.60	3.8	4	5194	16	015⅝	10	-⅛
20¼	46¾	BearStPIA x	3.20	8.8		20	47	d46¾	46¾	
57½	27¾	Bearings	0.64	2.1	21	63	31	30⅞	30⅞	-⅛
32⅛	23	Beckman In	0.40	1.4	55	663	29¼	28⅞	29½	+1¼
47¾	54⅛	BectnD	0.74	1.5	17	3067	u48¼	47¼	40¼	+1

Continued on next page

4 pm close September 30

NYSE COMPOSITE PRICES

Continued from previous page

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
9¾	5	Salant Crp			7	239	5¾	5¼	5¾	+⅛
49⅞	32	Sallie Mae	1.40	4.3	8	2288	32⅞	32⅜	32⅝	-⅛
13⅞	11⅞	Salomon Br	0.32	3.8		292	12¼	12⅛	12¼	
52¾	38½	Salomn	0.64	1.6	5	2937	38⅝	d38½	38½	+1
23	17½	SnDgGE	1.52	7.9	10	436	19⅛	18⅝	19⅛	+⅜
10	7½	SantaFeERs	0.18	1.7	0	2236	9⅜	9	9¼	+¼
17⅞	13½	SFeGd				9127	17⅜	16⅞	17⅜	+¼
40	31⅝	SantaFePac	2.80	0.4	15	70	33⅜	32½	33⅜	+¼
28¼	18½	SanFeP	0.10	0.4	12	2789	22⅞	22⅝	22⅝	-⅛
26	19⅜	SaraLee	0.64	2.8	15	5686	22⅝	22¼	22½	+⅛
50⅛	42⅛	Scana Corp	2.82	0.4	11	385	44½	43⅞	44⅛	+½
20½	12½	Scecrp x	1.00	7.7	9	6120	13	12¾	13	+⅛
41⅝	31½	ScheringP			31	132	u41¾	41⅛	41⅝	+¾
71⅞	54½	SchPl	2.04	2.0	18	6382	71⅝	70⅜	71	+⅝
63	50¾	Schlmb	1.20	2.2	22	3845	55¼	54⅜	54⅜	-⅝
33⅞	23¾	Schwab(C)	0.28	0.9	14	2198	29⅞	29⅜	29⅝	-⅛
10¾	6⅛	Schwitzer			25	39	9	8⅞	8	-⅛
45¼	24⅞	SciAtl	0.12	0.3	81	3329	41⅛	39⅜	40⅞	+¼
18⅞	13	Scotsman x	0.10	0.8	18	99	18⅝	18⅝	16⅞	+¼
68⅝	37¼	ScottP	0.80	1.3	19	6246	62⅞	61	61⅛	-⅞
28⅝	18⅝	ScuddrNAsF	0.21	0.8		119	24⅛	23½	24⅛	+⅜
12⅝	9½	ScudderNEuF	0.16	1.6		137	9¾	9¼	9¾	
18¼	13½	SeaCnB	0.76	4.2	6	47	16½	16	16½	+⅛
16½	14⅞	SeaC1.4625	1.46	9.2		z100	15⅞	15⅞	15⅞	-⅛
32⅞	26¼	Seagrm	0.80	2.0	26	5360	30¾	30¼	30¼	-⅜
29¾	22¾	Seagull En			20	922	23⅝	23¼	23⅜	
36¾	25⅝	Sealed Air			24	139	32¼	32⅛	32¼	+¼
55⅛	42½	SearsR	1.60	3.3	7	9080	48¾	47¼	40	+⅛
13¾	11¼	Seligm Sel x	0.84	7.3		59	11⅝	d11¼	11½	+⅛
39¾	28	Sensormat	0.22	0.8	35	1291	34⅜	34¼	34¼	-⅜
39¾	26⅝	SequaA	0.00	2.2	9	90	27	26⅞	26⅞	-⅛
40¼	28	SequaB	0.80	1.8	17	10	32	32	32	
28	22½	ServCo	0.42	1.8	20	711	25⅞	25¾	25¾	-⅛

[illegible]

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
39⅞	22½	Taiwan Fd								
9½	5⅜	Talleyind	0.42	3.8	10	[illegible]				
15½	10	Talley Pf	1.00	6.6		[illegible]				
44½	34¾	Tmbrds	1.68	4.6	19	[illegible]				
16⅝	10½	Tandem			3	[illegible]				
49⅞	30¾	Tandy x	0.60	1.4	17	[illegible]				
12¾	8⅞	Taurus Mun	0.70	7.8		[illegible]				
4	2¾	TCCInd				[illegible]				
22⅝	18⅛	Teco Energ	1.01	5.2	14	[illegible]				
40	23⅝	Tektronx	0.50	1.5	25	[illegible]				
28⅝	14¾	Teldyn	0.80	5.0	83	[illegible]				
48⅛	34⅝	TeleEspSA	1.89	4.2	7	[illegible]				
76	50⅛	Telmex	1.51	2.4	133	[illegible]				
59¾	43¾	Tmplnl	1.00	1.8	40	[illegible]				
30⅝	19½	TempltEmMk	0.17	0.7		[illegible]				
8⅝	8½	TempltGlob x	0.60	0.1		[illegible]				
8	6⅝	TempltGlFd	0.60	8.9		[illegible]				
58¾	42¼	Tnneco	1.60	3.6	17	[illegible]				
30	25⅝	Teppco Pts	2.40	8.6	10	[illegible]				
32	20⅜	Teradyne			28	[illegible]				
8⅞	4¾	Terex	0.00	0.8	1	[illegible]				
13⅛	5⅞	Terra Inds	0.06	0.7	36	[illegible]				
12⅞	5¼	Tesoro			16	[illegible]				
68⅛	58¼	Texaco	3.20	5.3	13	[illegible]				
39¾	29⅝	Texas Ind	0.20	0.6	41	[illegible]				
89½	61	TxInst x	1.00	1.5	13	[illegible]				
21½	18¼	Texas Pac	0.40	2.0	25	[illegible]				
43⅛	29⅝	TxUtil	3.08	0.4	19	[illegible]				
4⅜	2¾	Textil Inds	1.10	38.3	1	[illegible]				
60⅝	50¼	Textrn	1.40	2.8	12	[illegible]				
4⅜	4	Thackeray			212	[illegible]				
24¼	14⅛	Thai Cap	0.35	1.8		[illegible]				
27½	24¼	Thai Fund	0.28	0.0		[illegible]				
45¼	25	ThermoElec	0.12	0.3	29	[illegible]				

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
108⅞	37¾	Xerox	3.00	3.8	53	3620	107¼	105⅝	106¾	+1
54½	28	Xerox4.125	4.12	7.6		3	54⅛	54½	54⅛	
53¾	40	Xtra Corp	0.56	1.1	33	54	51½	51⅜	51⅜	+¼
25½	20	Yankee Egy	1.22	5.7	12	51	21½	21	21½	+⅜
42½	23⅞	York Int	0.16	0.4	20	291	42	41½	41⅝	-⅛
5½	1	Zapata x	0.14	3.1		331	4½	4¾	4½	+⅛
13½	7	ZeitelB			5	1685	11⅝	11⅛	11½	-½
27⅞	20⅝	Zenith Nat	1.00	4.1	8	30	24¼	24⅛	24⅛	
7⅞	6⅝	Zenix Inc x	0.83	13.8		118	6⅞	6¾	6⅞	+⅛
16⅛	11⅜	Zero	0.40	3.1	16	162	13¼	12⅞	13	+⅛
29¾	18⅞	Zurn Ind	0.88	4.5	17	303	19⅝	18⅞	19⅝	+⅜
13⅞	11	Zweig Fund	1.08	9.3		100	11⅜	11¼	11½	-⅛
10⅝	8¼	Zweig Totl	0.84	0.0		777	8⅝	8⅛	8½	

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1994. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

4 pm close September 30

NASDAQ NATIONAL MARKET

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

- T -

[illegible]

- U -

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

[illegible]

AMEX COMPOSITE PRICES

4 pm close September 30

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							
Champion		57	141	39½	39⅛	39¼	
CircPh	0.84	40	2862	u15⅜	14½	18¼	+⅛
Cntrl FdA	0.01		249	5⅜	5¼	5¼	
Cominco	0.30	1825	11	18⅜	18¼	18¼	
[illegible]							
Gulf Cda	0.34	12	103	3⅞	3$\frac{13}{16}$	3$\frac{13}{16}$	+$\frac{1}{16}$
HanDir		24	682	4¼	4$\frac{1}{16}$	4$\frac{3}{16}$	+⅛
[illegible]							
NVR		267	173	5¾	5⅝	5⅝	
Olsten	0.24	471	611	d37¾	37¼	37¼	+½
Pegasus G	0.40	10	1430	18⅞	18⅛	18½	-⅛
Penil	0.80	18	17	9⅝	9½	9⅝	
Pet HD&P	1.04	0	2	17⅝	17⅝	17⅝	
Phil LD	0.24	15	630	58¼	88	88	
[illegible]							
Worthen	0.60	14	28	30⅛	29¾	30⅛	+⅞
Xytronix		4	205	4⅜	4$\frac{1}{16}$	4⅞	-⅛

FT GUIDE TO THE WEEK

3 MONDAY

Awful lot of voting in Brazil

Brazil holds its biggest set of elections since the 1950s with 1,654 jobs, including that of president, being contested by more than 12,000 candidates.

Attention will focus on the race for the presidency and whether the front-runner, former finance minister Fernando Henrique Cardoso, can win outright in the first round by polling more votes than all his competitors combined. His chief rival will be Luiz Inácio Lula da Silva of the left-wing Workers Party.

Voting also takes place for two-thirds of the senate and all the lower house of Congress, as well as for state governors and parliaments. Counting is expected to take between 10 and 15 days.

IMF meetings: As part of the annual meetings of the International Monetary Fund and World Bank, being held in Madrid, the development committee will consider the effectiveness of aid programmes to the developing world and examine how the Uruguay Round trade liberalisation measures will affect developing nations.

Nelson Mandela, President of South Africa, on a trip to the US, addresses the United Nations General Assembly in New York.

Rubber: Negotiations resume in Geneva (to Oct 14) on a rubber commodity pact to replace the sccord that expires in December. It is the only remaining international commodity pact with buffer stock arrangements to stabilise prices. But consumer and producer coontries differ sharply on the intervention price levels and range for the new agreement.

Labour Party conference: Britain's main opposition party opens its first annual conference since the election of Tony Blair as leader at the seaside resort of Blackpool in north-west England (to Oct 7).

Mr Blair is guaranteed s standing ovation when he addresses delegates on Tuesday, and is certain to win endorsement for a policy shift towards support for the market economy. But he will have to fight off leftwing demands for a commitment to a specified minimum wage.

Eurotunnel starts a limited passenger car shuttle service though the Channel tunnel for invited shareholders and VIPs including its bankers, MPs, MEPs and representatives of the travel trade. The car shuttle operation is starting nearly 18 months later than planned and foreshadows the launch of a full turn-up-and-go service expected to begin in mid-November. Eurostar passenger trains are not expected to start service before late October.

FT Survey: Building Services.

Holidays: Australia (Labour Day), Germany (Unity Day), South Korea (National Foundation Day).

4 TUESDAY

Yeltsin marks uprising

President Boris Yeltsin of Russia is due to hold a press conference to mark the first anniversary of the failed uprising of hardline parliamentarians and the storming of the White House in whicb 140 people were killed. Mr Yeltsin is expected to spell out his political agenda as the new parliament begins its autumn session this week.

Madrid Meetings: The formal annual meetings of the two Bretton Woods institutions, the International Monetary Fund and the World Bank, start with keynote addresses from Michel Camdessus, IMF managing director, and Lewis Preston, president of the World Bank group. The meetings continue until Thursday.

European Union foreign ministers, holding their monthly gathering in Luxembourg, will look at plans to help east and central European countries prepare their economies and legislation for membership of the Union. The ministers will also review relations with former Soviet republics, in particular Ukraine, whose foreign minister they have invited for dinner.

Lloyd's of London: Judgment in the Gooda Walker case, the biggest legal action by loss-making Lloyd's Names, is expected today. A group of 3,095 Names, the individuals whose assets support the markets, are suing 71 Lloyd's agencies for £629m in losses sustained by syndicates managed by the Gooda Walker agency. During a case which was heard during the summer, Names alleged negligent underwriting was responsible for their losses.

Council of Europe: President Ion Iliescu of Romania begins a two-day visit to Strasbourg, where be will meet senior representatives of the Council of Europe, including secretary-general Daniel Tarschys. Because of its controversial human rights record, Romania was the last of central Europe's former communist states to join the Council s year ago. It continues to raise concerns over Romania's treatment of its ethnic, religious and sexual minorities, and its judicial system.

Saleroom: Christie's in London is auctioning more than 230 original watercolours painted by various artists in the 1860s for John Gould's volumes *The Birds of Great Britain* (1860-73), carrying estimates of between £2,000 and £15,000.

Gould is considered as important to English ornithology as John James Audubon is to North American. The collection was assembled by the naturalist and traveller Frederick du Cane Godman. It is rare for such desirable drawings to appear on the market and the appearance of so large a hoard has sent Gould collectors into a frenzy. The estimates should be much exceeded.

FT Surveys: New Broadcast and Communications Media and World Car Industry.

5 WEDNESDAY

US-N Korea talks resume

High-level US-North Korea talks on eliminating Pyongyang's capacity to make nuclear weapons are due to resume in Geneva. Robert Gallucci, US ambassador-at-large, said last Thursday after a week of talks that little progress had been made but neither side wants the talks to collapse. Negotiations centre on the terms on which the US will organise the supply of light-water atomic reactors to replace North Korea's graphite-moderated ones, which produce more of the plntonium used in nuclear bombs.

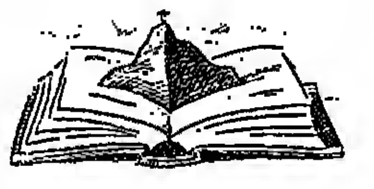
Chris Patten, governor of Hong Kong, gives his third annual policy speech, outlining his plans for the colony. He is expected to give a progress report on pledges made last year and announce a fresh round of spending. The real focus of interest, however, will be on any proposals for improving relations witb Beijing. This could prompt Mr Patten to revise his views on working with Beijing-appointed bodies such as the Preparatory Committee.

European Union environment ministers, on the second day of a two-day session in Luxembourg, discuss with their counterparts from six east European states how their environment laws and policies can be brought into line with the EU's.

The EU ministers will also be attempting yet again to agree on a strategy to combat global warming. Plans for a mixed carbon and energy tax of up to $10 per barrel of oil equivalent have been blocked for nearly three years by UK opposition to the principle of an EU-wide tax, and the misgivings of southern member states and France about its effects. Efforts are now focused on jointly agreed national measures to cut carbon dioxide emissions.

US congressman Dan Rostenkowski, once powerful chairman of the House ways and means committee, goes to court to seek dismissal of the 17-count corruption indictment against him on constitutional grounds.

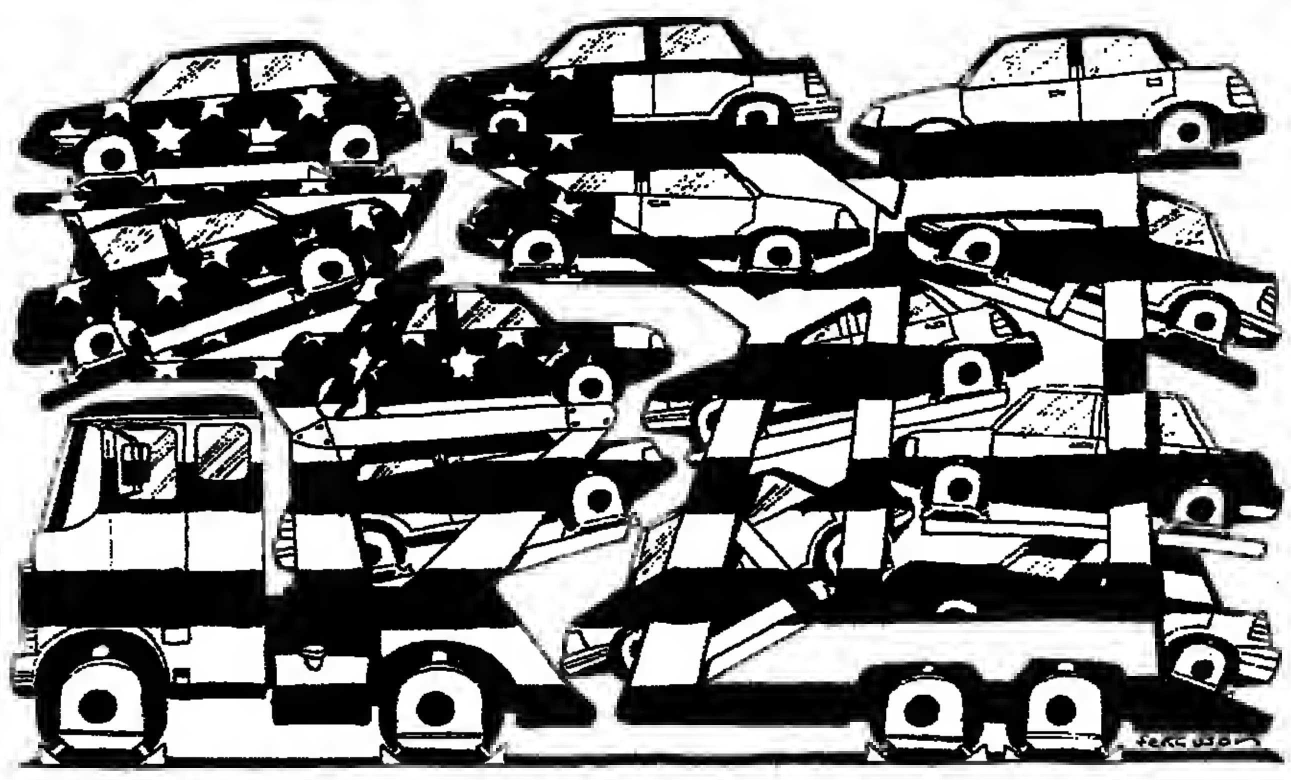
Frankfurt book fair, the leading annual event for publishers, begins (to Oct 10). in this, the 46th year, the theme is Brazil.



Nashville, Tennessee, plays host to the 28th Annual Country Music Association Awards.

FT Survey: FT Exporter (Europe only).

Holidays: Portugal (Republic Day).



The US and Japan agreed "significant" market-opening accords after lengthy negotiations, but could not strike a deal over accsss to Japan's car market

6 THURSDAY

Paris Motor show opens

The main world show of the autumn opens as new car sales in Europe recover hesitantly from the deep recession of 1993. The show, which runs to October 16, is dominated by Renault and PSA Peugeot Citroën. Last week, Peugeot announced a return to profit after last year's loss.

As carmakers look at trends for cars in the 21st century, Citroën is to show its Xanae concept car. The company says it represents a new approach to automotive design, half-way between a conventional saloon car and a people carrier.

British-based Rover Group is to unveil its latest Range Rover 4-wheel drive luxury "off-road" vehicle.

UK economy: The output figures for August will be watched closely by the markets in the light of the recent surge in industrial production. Most analysts expect the monthly rate of manufacturing growth to have slowed slightly in the month, even before September's controversial UK base rate rise.

However, the underlying trend remains strong, with a 4.6 per cent year-on-year rate forecast.

European Union commissioner on trade competition Sir Leon Brittan begins a trip to South Africa (to Oct 10).

FT Survey: Liechtenstein.

Holidays: Australia, Egypt (Armed Forces Day), Kazakhstan (Republic Day), Syria (Liberation Day).

7 FRIDAY

US employment data due

Today's US employment data for September provide the first real indicator of whether the Federal Reserve's decision to raise interest rates in August has done anything to slow economic expansion. The median forecast in MMS International's survey predicts growth of 250,000 in non-farm payroll employment, with the unemployment rate unchanged at 6.1 per cent.

US congress is scheduled to recess for the mid-term election campaigns. With so many close contests expected, the deadline might actually be met. The Senate is scheduled to return on November 30 for two days of debate on the Uruguay Round Gatt legislation. The House is scheduled to vote on the Round on Wednesday, but its leaders are being urged to postpone the vote until after the elections.

Bernard Tapie, the French politician and soccer boss, is due to make a court appeal against seizure of his art works and furniture by his creditor bank, Crédit Lyonnais.

London fashion week, highlighting the spring and summer collections for 1995, starts with a reception attended by the Princess of Wales (to Oct 9).

Day of Courtesy: Britain's Polite Society hopes the event will counteract the alienating effects of technology. It says such gadgets as automatic doors, which people no longer have to hold for each other, reduce human contacts.

8-9 WEEKEND

Austria goes to the polls

The Socialist-Conservative coalition that has ruled Austria for most of the postwar period looks set to win another mandate in national elections on Sunday, but with its 76 per cent majority reduced.

Rightwing populist Jörg Haider has bounced back after a disastrous referendum campaign in June opposing Austrian membership of the European Union. He could take seats from both traditional parties.

Saleroom: On Saturday, Sotheby's holds its first wine sale in New York, in co-operation with Sherry-Lehmann, owner of a well respected liquor store on Madison Avenue. Sotheby's expects to raise more than $1m from almost 1,000 lots. Until this year, wine auctions were forbidden in the city.

Kurile Islands: A group of Japanese is due to visit the Russian-held island of Etorofu on Saturday. The island is one of three in the Kurile chain off northern Japan seized by the Soviet Union at the end of the second world war.

The travellers are descendants of island dwellers and wish to visit their ancestors' graves. Russia occasionally allows Japanesa to land without visas as a good will gesture, deslened to defuse a row over ownership of the three islands.

Compiled by Patrick Stiles.
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ECONOMIC DIARY

Other economic news

Monday: After a week in which tbe US and Japanese trade talks grabbed the attention of many traders, there will be spate of US and Japanese data for the markets to watch in days ahead.

In the US, September's purchasing managers' index will be watched for signs that the recent surge in industrial production is being maintained. In Japan, data on September's car sales is due today.

Wednesday: US factory order figures are expected to sbow a rise in August.

Meanwhile, data on German manufacturing orders, due in the middle of tbe week, is likely to indicate that orders are growing, particularly in tbe capital goods sector, although demand for consumer durables remains weak.

Friday: The US September non-farm pay roll figures are expected to paint a slightly mixed picture of employment trends, although most analysts believe tbe underlying trend is healthy.

in Japan, August's current account is likely to sbow that the trade surplus narrowed slightly in the month. Meanwhile, UK trade data is expected to sbow a further narrowing of the trade deficit.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	US	Aug construction spending	0.3%	0.6%
Oct 3	US	Sep Purchasing managers Indx	57%	56.2%
	Japan	Aug Bnk of Japan corp s'vice price*	-	-0.3%
	Japan	Aug Bnk of Japan corp s'vice price**	-	-0.7%
	Japan	Sep auto sales**	-	12%
	Japan	Sep Forex reserves*	-	1.9%
	UK	Sep M0*	0.4	0.1%
	UK	Sep M0**	6.3%	6.2%
Tue	US	Johnson Redbook, w/s Oct 1	-	2.8%
Oct 4	US	Sep domestic auto sales	7.2m	7.4m
	US	Aug leading indicators	0.6%	0.0%
	US	Sep domestic light truck sales	5.5m	5.5m
	Japan	Sep trade balance	-	$2.5bn
	UK	Sep official reserves	$0m	-$27m
	UK	Aug final money data	-	n/a
Wed	US	Aug factory orders	3.5%	-2.3%
Oct 5	US	Aug factory inventories	-	0.9%
	Germany	Sep unemployment change, west†	-3,000	4,000
	Germany	Aug employment change, west†	6,000	3,000
	Germany	Sep vacancies, west	2,000	3,000
Thur	US	Aug home completions	-	1.27m
Oct 6	US	State benefits, w/e Sep 24	-	2.64m
	US	M1, w/e Sep 26	-$1bn	-$1.3bn
	US	M2, w/e Sep 26	$0.3bn	-$1.1bn
	US	M3, w/e Sep 26	Unchanged	$1.8bn

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
	UK	Aug manufacturing output*	0.3%	0.4%
	UK	Aug manufacturing output**	4.6%	3.9%
	UK	Aug industrial production*	0.2%	0.1%
Fri	US	Sep average workweek	-	34.5
Oct 7	US	Sep non-farm payrolls	250,000	179,000
	US	Aug wholesale trade	-	-0.4%
	US	Sep manufacturing payrolls	20,000	32,000
	US	Sep hourly earnings	0.3%	0.2%
	US	Sep civil unemployment rate	6.1%	6.1%
	US	Aug consumer credit	$8bn	$5.8bn
	Japan	Aug trade balance, IMF	-	$14.4bn
	Japan	Aug current a/c, IMF	$6.3bn	$11.7bn
	Japan	Aug foreign bond investment	-	$4.2bn
	N'lands	Sept consumer prices indx**	2.5%	2.8%
During the week...				
	Japan	Sep trade balance, 1st 20 days	-	$2.5bn
	Japan	Sep Bank of Japan bank data	-	-
	Germany	Aug manufacturing orders*	0.3%	0.8%
	Germany	Sep final cost of living*	-	0.1%
	Germany	Sep final cost of living**	-	3%
	Germany	Aug final M3	-	9.8%
	Italy	Sep consumer prices indx official**	3.8%	3.7%
	Italy	3rd qtr gross domestic product**	1%	0.1%

*month on month, **year on year, †seasonally adjusted *Statistics, courtesy MMS International.*

MONDAY PRIZE CROSSWORD

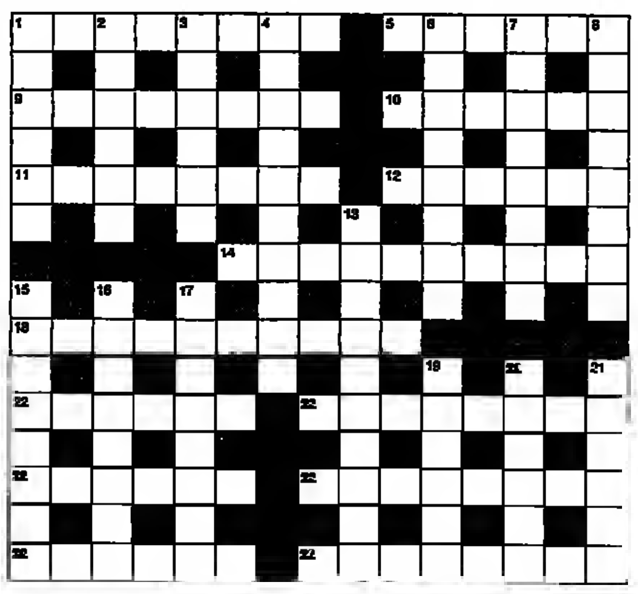
No.8,574 Set by DANTE

ACROSS

1 A crying need for free trade cut (4,4)
5 Get into bad shape (6)
9 Suggestive of financial aid in hiring charge (8)
10 Having failed to win is punished (6)
11 Sanctioo law about cider productioo (8)
12 A unique example of scoring 99 when aiming for a century (3-3)
14 Postwar conditions? (5,5)
18 Audience standing up, well-pleased with one's address (5-5)
22 Boring chaps perhaps, but they keep us going (6)
23 Many s creature seen in a wood (8)
24 Turn up to find s number still outside (6)
25 It comes under general arithmetic (8)
26 She shows skill in carving ham (6)
27 Russian insect with stripes? (8)

DOWN

1 The Mad Hatter gets a warning (6)
2 Kidnap the sailor on the canal (6)
3 Number of mischievous characters in digs (6)
4 Length of time in the middls (10)
6 Time in its entirety? (8)
7 Great place for fresh air! (8)
8 Somehow fit names into list (8)
13 The case for ths prosecution? (10)
15 A metal or I'm much confused (8)
16 Garment whose attractiveness is no more (8)
17 Investigation reaches wrong outcome after right start (8)
19 Future arrival (6)
20 Girl turns tail st the docks (6)
21 A child of the pen (6)



A prize of s Pelikan New Classic 390 fountain peo for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday October 13, marked Monday Crossword 8,574 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday October 17.

Name..

Address..

....

Winners 8,562

N. Hormbrey, Newquay, Cornwall
Mrs C. Fincham, Stone, Staffs
D. Parsons, Cyncoed, Cardiff
D. Taylor, London N21
P.Y. and I.D. Thomson, Clitheroe, Lancashire
Mrs B.S.C. Turvil, Sunbury on Thames, Middlesex

Solution 8,562